

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA



**FILED**  
03/06/20  
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ADMINISTRATIVE LAW JUDGE PETER V. ALLEN, presiding

	)	EVIDENTIARY
	)	HEARING
	)	
Order Instituting Investigation on	)	
the Commission's Own Motion to	)	
Consider the Ratemaking and Other	)	
Implications of a Proposed Plan for	)	
Resolution of Voluntary Case filed	)	
by Pacific Gas and Electric Company,	)	
pursuant to Chapter 11 of the	)	Investigation
Bankruptcy Code, in the United	)	19-09-016
States Bankruptcy Court, Northern	)	
District of California, San	)	
Francisco Division, In re Pacific	)	
Gas and Electric Corporation and	)	
Pacific Gas and Electric Company,	)	
Case No.19-30088.	)	

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March 4, 2020  
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PUBLIC UTILITIES COMMISSION, STATE OF CALIFORNIA  
SAN FRANCISCO, CALIFORNIA

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SAN FRANCISCO, CALIFORNIA

MARCH 4, 2020 - 9:00 A.M.

\* \* \* \* \*

ADMINISTRATIVE LAW JUDGE ALLEN: On the record. Good morning, everybody. This is the evidentiary hearing in Investigation 19-09-016. I'm Administrative Law Judge Peter Allen. I do believe that this will be the last day of evidentiary hearings. Am I correct?

MR. ALCANTAR: We hope so.

MR. WEISSMANN: Yes, your Honor.

ALJ ALLEN: Thank you, Mr. Weissmann. Everyone now, "Yes, your Honor."

ALL COUNSEL: Yes, your Honor.

ALJ ALLEN: So the order of witnesses we have for today is Dalzell, Beach, Gorman, and then Long and/or Finkelstein. I know parties were looking at some of their cross-estimates. Are there any revisions on the cross estimates?

Mr. Bloom.

MR. BLOOM: Yes, your Honor. We think Gorman, Long, and Beach we're going to try to keep it to about 20 minutes.

ALJ ALLEN: Gorman, Long, and Beach, 20 minutes for TCC. Okay.

MR. BLOOM: That should accommodate,

1     knocks it down quite a bit. And according to  
2     what other, obviously, people are asking, we  
3     may even be able to tighten it from there.

4             ALJ ALLEN: I didn't see that you had  
5     cross for Gorman.

6             MR. BLOOM: It should have been in  
7     there I'm pretty sure.

8             ALJ ALLEN: I have you listed as 60 --  
9     what I have listed is 60 for Long and 60 for  
10    Finkelstein.

11            MR. BLOOM: It's probably at 60 for  
12    Gorman also, your Honor.

13            MR. WEISSMANN: That's what I show too,  
14    your Honor.

15            ALJ ALLEN: Is which?

16            MR. WEISSMANN: According to my  
17    records, TCC reserved 90 minutes for Gorman.

18            ALJ ALLEN: Okay. So you have  
19    20 minutes for Gorman?

20            MR. BLOOM: Yeah, I think we should be  
21    able to keep it down to about 20, maybe a  
22    little bit longer.

23            ALJ ALLEN: Okay. And then do you  
24    still have 60 for Finkelstein?

25            MR. BLOOM: I said none for  
26    Finkelstein.

27            ALJ ALLEN: None for Finkelstein.  
28    Okay. Any other modifications?

1 MR. BLOOM: And I let them know last  
2 night.

3 ALJ ALLEN: Off the record.

4 (Off the record.)

5 ALJ ALLEN: On the record.

6 Any other housekeeping to do before  
7 we call the first witness?

8 Seeing none, Ms. Koss.

9 MS. KOSS: Good morning, your Honor.  
10 CUE would like to call Tom Dalzell.

11 ALJ ALLEN: Thank you.

12 Off the record.

13 (Off the record.)

14 ALJ ALLEN: On the record.

15 TOM DALZELL, called as a witness by  
16 Coalition of California Utility  
17 Employees, having been sworn, testified  
as follows:

18 THE WITNESS: I do.

19 ALJ ALLEN: Thank you. Please be  
20 seated, state your full name spelling your  
21 last name.

22 THE WITNESS: Tom Dalzell,  
23 D-a-l-z-e-l-l.

24 ALJ ALLEN: Ms. Koss.

25 DIRECT EXAMINATION

26 BY MS. KOSS:

27 Q Good morning, Mr. Dalzell. Do you  
28 have in front of you what has been marked as

1 Exhibit CUE-01, which is the Testimony of Tom  
2 Dalzell on Behalf of the Coalition of  
3 California Utility Employees?

4 A Yes.

5 Q And was that testimony prepared by  
6 you or under your direction?

7 A Yes.

8 Q And is it true and correct to the  
9 best of your knowledge?

10 A Yes.

11 Q Are you sponsoring that testimony?

12 A Yes.

13 Q Thank you.

14 Mr. Dalzell is available for  
15 cross-examination.

16 ALJ ALLEN: Thank you.

17 I believe the cross on Mr. Dalzell  
18 is by Mr. Geesman.

19 MR. GEESMAN: Thank you, your Honor.

20 CROSS-EXAMINATION

21 BY MR. GEESMAN:

22 Q Good morning, Mr. Dalzell.

23 A Morning.

24 Q My name is John Geesman. I  
25 represent the Alliance for Nuclear  
26 Responsibility. Our interest in this  
27 proceeding is focused on the impact of PG&E's  
28 Plan of Reorganization to ratepayers.

1 Besides your extensive background as the  
2 business manager of IBEW Local 1245, you also  
3 serve as the Chair of the California Citizens  
4 Compensation Commission, do you not?

5 A Yes, I'm appointed by the governor  
6 to that commission.

7 Q Could you describe what the  
8 commission does.

9 A It sets the wages for members of  
10 the legislature and the constitutional  
11 officers.

12 Q How many members are on the  
13 commission?

14 A When its completely staffed, there  
15 are five of us.

16 Q And how long have you been on the  
17 commission?

18 A Seven or eight years.

19 Q When does your term end?

20 A I don't know.

21 Q Your testimony at page four, lines  
22 one through eight describes a concern about,  
23 and I'm quoting, "instability within the  
24 bargaining unit," close quote, related to the  
25 high level of compensation for PG&E linemen  
26 in the Bay Area. Do you see that?

27 A So the lines were what?

28 Q One through eight on page four.



1           A    I see lines one through eight.

2           Q    Okay.  How many of your members  
3 would you categorize as PG&E linemen in the  
4 Bay Area?

5           A    Well, I can't tell you exactly.  
6 Perhaps 300.  The definition of the Bay Area  
7 shifts for different purposes.  For the  
8 purposes of the linemen compensation that we  
9 negotiated, it does not include Concord.  For  
10 other purposes, it would.

11          Q    So how many linemen then would be  
12 included in the Concord area?

13          A    In the Concord area?

14          Q    Yeah.

15          A    20, 30.

16          Q    And how does that overall number  
17 compare to the number of members you have at  
18 Diablo Canyon?

19          A    Diablo Canyon is around 500.  You  
20 can do the arithmetic.

21          Q    Do you recall in 2018 when several  
22 of the signatories to the Diablo Canyon  
23 Retirement Joint Proposal, including the IBEW  
24 and A4NR, my client, successfully  
25 co-sponsored Senator Monning's SB-1090, which  
26 significantly augmented the employee  
27 retention package approved by this commission  
28 for your members at Diablo Canyon?

1 MS. KOSS: Objection, your Honor;  
2 outside the scope of the testimony.

3 ALJ ALLEN: Foundational. Overruled.

4 THE WITNESS: I'm answering?

5 ALJ ALLEN: Yes.

6 BY MR. GEESMAN:

7 Q Do you recall that?

8 A I would not describe it that way,  
9 but I know what you're talking about.

10 Q What would your characterization  
11 be?

12 A I would say that the legislation  
13 reinstated the collectively-bargained  
14 agreement for retention at Diablo Canyon.

15 Q I stand by your clarification, sir.  
16 Thank you. In terms of tensions over  
17 compensation within the bargaining unit, are  
18 the situations with the Bay Area linemen and  
19 the Diablo Canyon work force similar?

20 A The overriding concern in both  
21 situations was retention. So, in that  
22 regard, yes.

23 Q Would it be correct to assume that  
24 your strategy in dealing with the PG&E  
25 bankruptcy has been to prioritize the common  
26 interests of the entire 12,000 members?

27 A I think so.

28 Q Please take a look at

1 Cross-Examination Exhibit A4NR-X-08.

2 Your Honor, I'd ask that that be  
3 marked.

4 ALJ ALLEN: Exhibit Alliance for  
5 Nuclear Responsibility Cross-Examination  
6 Exhibit 2019 Joint Proxy Statement is  
7 identified as A4NR-X-08.

8 (Exhibit No. A4NR-X-08 was marked  
9 for identification.)

10 BY MR. GEESMAN:

11 Q That's an excerpt from PG&E's joint  
12 proxy statement from last year. On the last  
13 page of the exhibit, you'll see a section  
14 identified as "Principal Executive Officers  
15 Pay Ratio 2018." Do you see that?

16 A I do.

17 Q I'm going to read the second  
18 sentence of that section to you and ask if  
19 I've read it correctly. The sentence reads,  
20 "The total compensation of the median  
21 employee was \$177,765."

22 Did I get that accurate?

23 A You read it. I have no idea how  
24 that number was determined.

25 Q But I did read it correctly?

26 A You did.

27 Q Thank you. I know it's hard to  
28 generalize about your 12,000 PG&E members,

1 but what proportion of those 12,000 members  
2 do you think earns above the PG&E median and  
3 what proportion falls below the median?

4 A The trouble with your question is  
5 that this refers to total compensation.  
6 That's a pretty tricky concept. In General  
7 Rate Case proceedings, we've gone back and  
8 forth with the Division of Ratepayer  
9 Advocates, Office of Ratepayer Advocates  
10 about what is total compensation, what's  
11 included, and what's not.

12 So, I really can't answer the  
13 question without knowing how they calculated  
14 the total compensation of 188,000.

15 Q Well, you must calculate it in some  
16 fashion in your collective bargaining  
17 strategy, do you not?

18 A We generally go -- with wages, we  
19 certainly do. With benefits, we are aware of  
20 the cost, but we are negotiating the value of  
21 the benefit to the employee rather than the  
22 cost, if that makes sense.

23 It's sort of like a defined benefit  
24 versus a defined contribution pension plan.  
25 We have some sense of what the cost is,  
26 although especially with the pension. I  
27 mean, that moves around quite a bit.

28 Q But without trying to be too

1 specific, just in terms of order of  
2 magnitude, would it be correct to assume that  
3 the majority of your members are most likely  
4 above the median level for the PG&E work  
5 force?

6 A No. That might be true, but I'm  
7 not comfortable saying it's probably true. I  
8 mean we -- a customer service representative  
9 makes around \$80,000 a year in wage -- in  
10 straight-time wages, and so for them to get  
11 over that would have to be a hundred thousand  
12 dollars and other benefits and I don't think  
13 that that's true.

14 I mean I could maybe try to figure  
15 this out, but off the top of my head --  
16 certainly there are employees, there are  
17 employees whose wages or their wage earnings,  
18 including overtime alone, are above that, but  
19 there's significant numbers that are below  
20 that.

21 Q Thank you. Why did you find it  
22 necessary to include in the IBEW agreement  
23 attached to PG&E's Plan of Reorganization a  
24 commitment to operate Diablo Canyon until its  
25 license has expired?

26 MS. KOSS: Your Honor, objection,  
27 outside the scope of the testimony.

28 ALJ ALLEN: Overruled.

1           THE WITNESS: We were concerned about  
2 any possible split-off or break-up of the  
3 company, whether it be a line of business  
4 such as gas, a line of business such as  
5 hydro, an asset such as Diablo Canyon, or  
6 municipalization. So, in that general  
7 category of wanting the keep the company  
8 whole, we included it in our agreement.

9           Q But Diablo Canyon is the only plant  
10 specified, is it not, in your agreement?

11          A Yes.

12          Q And why is that?

13          A It's not the only one we have. We  
14 have a couple of little combined cycles that  
15 don't have -- they don't have 10 percent of  
16 the number of employees as Diablo Canyon and  
17 there's very little chance of them being sold  
18 off, Humboldt or the other two.

19          Q And would you say the same about  
20 the hydro system?

21          A There are segments of the hydro  
22 system that we recognize are no longer  
23 economically feasible, especially as  
24 relicensing happens, Potter Valley being one,  
25 an example that I heard a lot about yesterday  
26 in Washington, DC, from Congressman Hough,  
27 but to some extent with hydro. But I think  
28 that -- well...

1           Q    So in the hydro setting, you  
2 recognize the possibility that economics may  
3 cause the company to shut the plant?

4           A    It's licensing concerns, yeah.

5           Q    How do you envision the commitment  
6 that you've successfully negotiated in the  
7 IBEW agreement attached to PG&E's plan? How  
8 do you envision that commitment being  
9 enforced?

10          A    Are you talking about the wages and  
11 the medical and the layoff, that entire  
12 language?

13          Q    No, I'm sorry. Let me be clear;  
14 the commitment to operate Diablo Canyon until  
15 the end of its licenses.

16          A    Well, I think that commitment is  
17 there in the agreement that you are part of.  
18 I think that upon emergence from bankruptcy,  
19 assuming that the plan is confirmed, all of  
20 our agreements would be reduced to a letter  
21 agreement or a memorandum of understanding in  
22 the context of collective bargaining and  
23 that's how it would be enforced.

24          Q    Would that commitment still apply  
25 if PG&E lost so much bundled load that its  
26 customers no longer had any use for most of  
27 the electricity generated at Diablo Canyon?

28          MS. KOSS: Your Honor, objection, this

1 is far outside the scope.

2 ALJ ALLEN: Sustained.

3 BY MR. GEESMAN:

4 Q Under the commitment made by PG&E  
5 and the IBEW agreement, would there be any  
6 cap on the amount to be spent subsidizing any  
7 above-market costs at Diablo Canyon?

8 MS. KOSS: Again, objection.

9 ALJ ALLEN: Sustained.

10 MR. GEESMAN: Thank you, your Honor.  
11 That's all my questioning.

12 Thank you very much, Mr. Dalzell.

13 ALJ ALLEN: Thank you, Mr. Geesman.

14 THE WITNESS: I'm a little disappointed  
15 because I thought you were going to get into  
16 executive compensation and I was ready with  
17 my Karl Marx and my Guilford Plantation  
18 Covenant and the New Testament.

19 ALJ ALLEN: If we had more hearing  
20 time.

21 THE WITNESS: I was ready.

22 ALJ ALLEN: Thank you.

23 Is there any redirect?

24 MS. KOSS: No, your Honor.

25 ALJ ALLEN: Okay. Thank you.

26 Thank you, Mr. Dalzell, you are  
27 excused.

28 You had one exhibit for CUE;



1 correct?

2 MS. KOSS: Yes, thank you, your Honor.  
3 CUE would like to move what has been marked  
4 as Exhibit CUE-01 into the record.

5 ALJ ALLEN: Is there any objection to  
6 receipt of Exhibit CUE-01? Seeing none,  
7 CUE-01 is received.

8 (Exhibit No. CUE-01 was received  
9 into evidence.)

10 ALJ ALLEN: Let's go on the record with  
11 some A4NR exhibits. So, A4NR-01, which has  
12 been identified for the record, is the  
13 Prepared Testimony of David Lochbaum.  
14 A4NR-02 is the Reply Testimony of John  
15 Geesman. I also have A4NR-02-C, which is a  
16 confidential replacement of page 18 of  
17 A4NR-02 that has also already been marked.

18 Off the record.

19 (Off the record.)

20 ALJ ALLEN: On the record. A4NR-02-E  
21 is an errata to A4NR. That had not been  
22 previously marked in the record. I'm  
23 identifying Hearing Room Exhibit Errata  
24 A4NR-02 as A4NR-02-E.

25 (Exhibit No. A4NR-02-E was marked  
26 for identification.)

27 ALJ ALLEN: A4NR-X-03 is  
28 Cross-Examination Exhibit Form 10K. That was

1 already identified for the record. A4NR-X-04  
2 is Cross-Examination Exhibit Advice Letter  
3 5700-E. That was previously identified for  
4 the record.

5 A4NR-X-05 had not been previously  
6 identified, so this is Cross-Examination  
7 Exhibit A4NR Protest of Advice Letter 5700-E.  
8 That will be A4NR-X-05.

9 (Exhibit No. A4NR-X-05 was marked  
10 for identification.)

11 ALJ ALLEN: Cross-examination Exhibit  
12 PG&E Reply to A4NR Protest of Advice Letter  
13 5700-E will be identified as A4NR-X-06.

14 (Exhibit No. A4NR-X-06 was marked  
15 for identification.)

16 ALJ ALLEN: Alliance for Nuclear  
17 Responsibility Cross-Examination Exhibit PG&E  
18 January 31, 2020, Safety Culture and  
19 Governance Quarterly Report is being  
20 identified as A4NR-X-07.

21 (Exhibit No. A4NR-X-07 was marked  
22 for identification.)

23 ALJ ALLEN: The cross-examination  
24 exhibit used today, 2019 Joint Proxy  
25 Statement was identified as A4NR-X-08.

26 Did I get that correct, Mr. Geesman?

27 MR. GEESMAN: Yes, your Honor, you did.

28 ALJ ALLEN: Thank you. And I take it

1 you are moving the admission of these  
2 exhibits; is that correct?

3 MR. GEESMAN: Yes, I am.

4 ALJ ALLEN: Okay. Is there any  
5 objection to receipt of the A4NR exhibits?  
6 Seeing none, exhibits A4NR-01 through  
7 A4NR-X-08 are admitted.

8 MR. GEESMAN: Thank you, your Honor.

9 ALJ ALLEN: Thank you, Mr. Geesman.

10 (Exhibit Nos. A4NR-01 through  
11 A4NR-X-08 were received into  
evidence.)

12 ALJ ALLEN: Mr. Fox, will you be  
13 presenting the next witness?

14 MR. FOX: Yes, I will, your Honor.

15 ALJ ALLEN: Go ahead and call your  
16 witness, please.

17 MR. FOX: The Joint CCA parties call  
18 Mr. Tom Beach.

19 ALJ ALLEN: Thank you.

20 R. THOMAS BEACH, called as a witness  
21 by the Joint CCAs, having been sworn,  
testified as follows:

22 THE WITNESS: I do.

23 ALJ ALLEN: Thank you. Please be  
24 seated, state your full name and spell your  
25 last name for the record.

26 THE WITNESS: My name is first initial  
27 R. Thomas Beach, B-e-a-c-h.

28 ///

1 DIRECT EXAMINATION

2 BY MR. FOX:

3 Q Mr. Beach, would you please state  
4 your employer and position for the record.

5 A I am a principal consultant at  
6 Crossborder Energy.

7 Q Mr. Beach, would you please state  
8 on whose behalf you are testifying today.

9 A Yes. I am testifying on behalf of  
10 the Joint Community Choice Aggregators. For  
11 the purposes of this proceeding, there are  
12 five of them listed on page two of my  
13 testimony.

14 MR. FOX: Your Honor, I do want to  
15 clarify that one of those parties is the City  
16 of San Jose. The City of San Jose is  
17 represented by Ms. Elkin from the San Jose  
18 City Attorney's Office. Ms. Elkin has asked  
19 me to handle the cross-examination and  
20 redirect from Mr. Beach today.

21 ALJ ALLEN: Thank you, Mr. Fox. ]

22 BY MR. FOX:

23 Q Mr. Beach, do you have what has  
24 been marked as JCCA-01 one?

25 A Yes.

26 Q Your prepared testimony?

27 A Yes.

28 Q Was it prepared by you or under

1 your supervision?

2 A Yes, it was.

3 Q Do you have any corrections that  
4 you'd like to make to that testimony,  
5 Mr. Beach?

6 A Yes. I have one correction.  
7 Actually, maybe two corrections. On page 23  
8 of the testimony, lines 12 through 15, there  
9 is a section there that in my original  
10 testimony was confidential. But I believe  
11 PG&E has agreed that that information is no  
12 longer confidential.

13 So the sentence there starting on  
14 line 12 and ending on line 15, the words  
15 "begin confidential" and "end confidential"  
16 should be removed.

17 And then on line 14, on page 23, in  
18 the one formally-confidential sentence, the  
19 figure "\$163 million" should be revised --

20 (Phone interruption.)

21 ALJ ALLEN: Hold on. Off the record.

22 (Off the record.)

23 ALJ ALLEN: On the record.

24 THE WITNESS: Yes on line 14 of  
25 page 23, the figure \$154 million -- excuse  
26 me. \$163 million should be changed to \$154  
27 million based on some updated information  
28 from PG&E.

1 ALJ ALLEN: I am sorry. Could you  
2 repeat that correction again?

3 THE WITNESS: Yes. The correction is  
4 on line 14 of page 23. The testimony -- the  
5 Figure \$163 million that appears on that line  
6 should be changed to \$154 million.

7 BY MR. FOX:

8 Q And, Mr. Beach, with those  
9 corrections if I was to ask you the same  
10 questions that appear in the testimony, would  
11 your answers be the same?

12 A Yes, they would.

13 Q Is your testimony true and correct  
14 to the best of your knowledge?

15 A Yes.

16 MR. FOX: Your Honor, Mr. Beach is  
17 available for cross-examination.

18 ALJ ALLEN: Thank you.

19 MR. ALCANTAR: Your Honor, before you  
20 proceed, can I just get some clarification on  
21 the correction just made by Mr. Beach?

22 The copy I have does not have -- is  
23 blank; right? There's nothing there.  
24 There's no sentences between "begin  
25 confidential" and "end confidential." So you  
26 substituted a number in the sentence I take  
27 it?

28 THE WITNESS: Yes.

1 MR. ALCANTAR: Okay. Could you read  
2 the sentence for us? Maybe that would help.

3 THE WITNESS: Sure. The sentence  
4 reads:

5 In addition, PG&E's  
6 confidential financial  
7 projections for 2020 to  
8 2024 appear to assume that  
9 ratepayers will bare \$154  
10 million in costs for the  
11 exit financing required for  
12 PG&E to emerge from  
13 Chapter 11.

14 And then there was a footnote that  
15 footnoted PG&E's financial package released  
16 on February 14th at tab 11, rows 21 to 24.

17 MR. ALCANTAR: Thank you.

18 ALJ ALLEN: Mr. Fox, can you make sure  
19 that you distribute to the parties or make  
20 sure the parties have, who don't have, the  
21 public version or confirm that they got it.

22 MR. FOX: They do. The public version  
23 was served on the service list the morning of  
24 February 26th, your Honor.

25 ALJ ALLEN: Like I said, the currently  
26 public version which includes the sentence?

27 MR. FOX: That was served on the 24th  
28 or the 26th to the service list.

1 ALJ ALLEN: Thank you.

2 Off the record.

3 (Off the record.)

4 ALJ ALLEN: On the record.

5 First cross-examination will be by  
6 Mr. Cragg.

7 CROSS-EXAMINATION

8 BY MR. CRAGG:

9 Q Thank you, your Honor.

10 I'm Bryan Cragg representing the  
11 Independent Energy Producers Association. At  
12 this point, I would ask for the  
13 identification of a three page exhibit  
14 entitled Joint Community Choice Aggregators  
15 February 28th, 2020, Responses to the First  
16 set of data requests from the Independent  
17 Energy Producers Association.

18 ALJ ALLEN: Thank you, Mr. Cragg.

19 That is marked as IEP-01.

20 (Exhibit No. IEP-01 was marked for  
21 identification.)

22 MR. CRAGG: I'd also ask for the  
23 admission of Exhibit IEP-01 at this point.

24 ALJ ALLEN: Why don't you do your cross  
25 first. Then you can move it.

26 MR. CRAGG: Okay, your Honor. Unless  
27 there is testimony that is inconsistent with  
28 the contents of Exhibit IEP-01, I have no



1 cross-examination for Mr. Beach.

2 ALJ ALLEN: Run that by me one more  
3 time.

4 MR. CRAGG: As long as the testimony  
5 elicited in cross-examination is consistent  
6 with the testimony of the answers that  
7 Mr. Beach provided in Exhibit IEP-01, I have  
8 no additional cross-examination.

9 In other words, I expect to have no  
10 cross unless somehow inconsistent information  
11 comes up in cross-examination.

12 ALJ ALLEN: Maybe I should have had you  
13 go last.

14 (Laughter.)

15 MR. CRAGG: I'm happy to do that as  
16 well, your Honor.

17 ALJ ALLEN: Well, let me ask you this.  
18 Mr. Beach, have you had a chance to look at  
19 IEP-01?

20 THE WITNESS: Yeah. I prepared it.

21 ALJ ALLEN: Do you anticipate answering  
22 any questions differently than what is  
23 contained in IEP-01?

24 THE WITNESS: Not at this time.

25 ALJ ALLEN: Is there any objection to  
26 receipt of IEP-01 into the record?

27 (No response.)

28 ALJ ALLEN: Seeing none, IEP-01 is

1 admitted.

2 (Exhibit No. IEP-01 was received  
3 into evidence.)

4 ALJ ALLEN: Thank you, Mr. Cragg.

5 MR. CRAGG: Thank you, your Honor.

6 ALJ ALLEN: I appreciate the very  
7 concise cross-examination.

8 Mr. Weissmann?

9 CROSS-EXAMINATION

10 BY MR. WEISSMANN:

11 Q Thank you, your Honor.

12 Good morning. My name is Henry  
13 Weissmann. I'm one of the lawyers  
14 representing PG&E in this proceeding.

15 A Good morning.

16 Q Please turn to your testimony page  
17 18, lines 16 to 18.

18 A Okay.

19 Q So here you recommend that the  
20 Commission should condition approval on the  
21 adoption of a goal of a majority residing in  
22 the service territory; right?

23 A Yes.

24 Q By using the word "goal," you're  
25 not suggesting that would be a strict quota;  
26 correct?

27 A I didn't propose, you know, for  
28 example, a specific number of Board members

1     that should resign. That should be -- and a  
2     goal also means that it could be accomplished  
3     over a period of time.

4             Q     So okay. So the process of  
5     assembling a Board requires consideration of  
6     a number of different skills; correct?

7             A     Yes.

8             Q     And you need to make sure that the  
9     Board has the right mix of those skills?

10            A     Sure.

11            Q     Have you reviewed Ms. Brownell's  
12     testimony?

13            A     Yes. I did read that.

14            Q     So if you'll take a look, please,  
15     at Tab 5 in the binder. This is what's been  
16     previously marked for identification as  
17     PG&E-01. And I'll ask you to turn to pages  
18     4-11 and 4-12.

19            A     Okay.

20            Q     So here in the bullet points  
21     starting on 4-11, line 14, Ms. Brownell sets  
22     forth a number of attributes that PG&E  
23     intends to use in composing this Board;  
24     correct?

25            A     Yes.

26            Q     Do you agree that these are  
27     important attributes for PG&E to consider?

28            A     Yes.

1           Q    Do you agree that a strict  
2   inflexible requirement of 50 percent of  
3   residents in the service territory could  
4   conflict with the need to balance the range  
5   of skills needed?

6           A    I think that given the service  
7   territory that PG&E serves which is large,  
8   diverse, and is if you will one of the  
9   business and intellectual capitols of the  
10   United States with lots of talented people, I  
11   would hope that PG&E could find individuals  
12   who have relevant expertise who reside in its  
13   service territory.

14          Q    Well, I certainly share your hope.  
15   But my question was: Is there a possibility  
16   that limiting it to that geography could  
17   conflict with the objective of obtaining a  
18   Board with this mix of skills?

19          A    I would doubt that that would be a  
20   limiting factor.

21          Q    Well, let me ask. First of all,  
22   have you conducted a search for directors?

23          A    Not for a utility, no.

24          Q    Let me give you a hypothetical.  
25   Let's say that PG&E assembled a Board and had  
26   45 -- it selected Board members 45 percent of  
27   which were residents of a service territory,  
28   and they had one final spot to fill to

1     compose the full slate. And there are two  
2     candidates. One who has wildfire  
3     preparedness and education expertise who  
4     lives in the State of Washington. And one  
5     who has business and technology expertise and  
6     lives in Silicon Valley. What should happen?

7             A     You know, it's kind of -- your  
8     hypothetical I don't know who the -- what the  
9     skills of the remaining Board members are.

10            So if there are other people on the  
11     Board with wildfire skills, then I would say  
12     for sure you should take the local resident  
13     who's got business and technology background.

14            Q     And if not?

15            A     You know, I think that that would  
16     be -- you know, this is, as I put down here,  
17     45 percent residing in PG&E's territory would  
18     be a significant improvement over the  
19     situation today. So PG&E certainly could --  
20     would be making progress towards its goal  
21     under these circumstances.

22            Q     Let's turn to page 18 of your  
23     testimony, please.

24            A     Okay. I'm there.

25            Q     You cite CalPERS here; right?

26            A     Yes.

27            Q     Are and CalPERS says that Board  
28     members should become and remain

1 independently familiar with company  
2 operations; right?

3 A Yes.

4 Q And your assertion is that the most  
5 effective way to obtain independent  
6 information is to be a resident of a service  
7 territory?

8 A Well, I think it's very helpful if  
9 you are a resident and a customer, and you  
10 have friends and neighbors and associates who  
11 are also customers of PG&E. It would give  
12 you a source of -- readily available source  
13 of independent information about the company.

14 Q About certain things about the  
15 company?

16 A Yes.

17 Q But there are other ways that Board  
18 members can become independently familiar  
19 with the company's operations; correct?

20 A Sure.

21 Q Okay. I'm going to turn to another  
22 subject. Please turn to page 25 starting at  
23 line 24.

24 A Okay.

25 Q So here you say:

26 The Commission cannot make  
27 the necessary determination  
28 that the plan is neutral on

1 average unless it answers  
2 neutral compared to what.  
3 Correct?

4 A Yes.

5 Q Then you state quote:  
6 The comparison that must be  
7 made is to what ratepayers  
8 would have paid without the  
9 bankruptcy.  
10 End quote; correct?

11 A Yes.

12 Q So in your opinion in future cost  
13 of capital proceedings, the Commission would  
14 have to compare PG&E's actual financing costs  
15 to that hypothetical baseline; correct?

16 A Yes.

17 Q So the Commission would have to  
18 look at the costs ratepayers would pay  
19 compared to the costs they would have paid in  
20 a hypothetical world in which there was no  
21 bankruptcy; correct?

22 A Yes.

23 Q So how would the Commission  
24 determine the costs that PG&E ratepayers  
25 would pay in that hypothetical world?

26 A Well, you can certainly look at  
27 what PG&E paid before the bankruptcy. You  
28 can look at what other California utilities'

1 cost of capital is. Utilities that face the  
2 same regulatory and statutory structures as  
3 PG&E and operate in the same state with  
4 similar wildfire risks.

5           You can look at what their cost of  
6 capital -- the trajectory of that over time.  
7 And from that information, you can construct  
8 the counter factual, if you will, baseline  
9 for what PG&E's cost of capital would have  
10 been absent the bankruptcy.

11           Q    Have you quantified the cost that  
12 PG&E ratepayers would have paid in a world  
13 without bankruptcy?

14           A    Not for this testimony, no. I  
15 recommend that it be done in the cost of  
16 capital update proceeding that the Commission  
17 is planning to conduct. That would certainly  
18 be a much more appropriate proceeding to  
19 gather that kind of detailed information.

20           Q    Okay. So you as you sit here  
21 today, you don't have any opinion as to what  
22 the cost of capital would have been in the  
23 absence of the bankruptcy; correct?

24           A    Not on a quantitative basis, no.

25           Q    Did you hear Ms. Meal's testimony  
26 yesterday?

27           A    I did not. I read her testimony.  
28 I read her written testimony.



1           Q    But you didn't hear her testify  
2   live yesterday?

3           A    No, I didn't.

4           Q    Okay.  I'll represent to you that  
5   she testified that for the Commission to  
6   determine what PG&E's cost of capital would  
7   have been had it not declared bankruptcy  
8   would be highly speculative.  Do you agree  
9   with that?

10          A    I don't agree with that.

11          Q    PG&E's currently authorized cost of  
12   debt is lower than it would have been absent  
13   the bankruptcy; correct?

14          A    No.  I think that's one of the  
15   things that would need to be determined in  
16   the cost of capital update proceeding is  
17   whether -- what -- what is the relationship  
18   between PG&E's current cost of debt and what  
19   it would have been absent the bankruptcy.

20          Q    PG&E's current authorized cost of  
21   debt is 5.16; right?

22          A    Their currently authorized cost of  
23   debt?

24          Q    Yes.

25          A    It's -- I believe that that number  
26   -- if that number is from the most recent  
27   cost of capital decision, then I don't  
28   remember the decimal points on that.  But

1     that sounds about right.

2             Q     Would PG&E's authorized cost of  
3     debt -- sorry.

4                     And that 5.16 is based on the cost  
5     of debtor in possession financing; right?

6             A     I don't know how that was  
7     developed. I haven't looked at the record of  
8     that case.

9             Q     Is it your opinion that PG&E's  
10    authorized cost of debt would be lower than  
11    5.16 had it not filed for bankruptcy in  
12    January of 2019?

13            A     It could have been.

14            Q     Well, if PG&E had not filed for  
15    bankruptcy, it could not have gotten debtor  
16    in possession financing; right?

17            A     It wouldn't have needed debtor in  
18    possession financing by definition.

19            Q     It would have to borrow those funds  
20    without debtor in possession financing?

21            A     Right. It would have presumably  
22    undertaken ordinary utility financing the way  
23    it does in the normal course of business.

24            Q     Right. And without -- and normal  
25    course financing for PG&E in January 2019  
26    would have been higher than the cost of the  
27    debtor in possession financing; correct?

28            A     I don't know that.

1           Q    Do you have an understanding of  
2   debtor in possession financing works?

3           A    Not in any depth, no.

4           Q    Do you understand that it's a first  
5   priority link?

6           A    Yes. I think that's true.

7           Q    So logically would not a first  
8   priority link be cheaper than a borrowing --

9           A    Again, I'm not an expert in  
10   financing bankruptcy.

11           ALJ ALLEN: Let's make sure that we  
12   have just one person speaking. So make sure  
13   the question's complete before you give your  
14   answer.

15   BY MR. WEISSMANN:

16           Q    I'll direct your attention to  
17   what's been marked for identification as  
18   PG&E-X-07, which is the Joint CCA response to  
19   our data request. It's Tab 2 in your binder.

20                    So first let's just establish a  
21   foundation. Are you familiar with this  
22   document?

23           A    Yes.

24           Q    Were you involved in its  
25   preparation?

26           A    Yes.

27           Q    And do you agree with what's stated  
28   in PG&E-X-07?

1           A     Yes.

2           ALJ ALLEN:   I'm not sure that's  
3 actually been identified on the record yet.

4           MR. WEISSMANN:   I'm sorry, your Honor.

5           ALJ ALLEN:   So this is PG&E Hearing  
6 Room Exhibit JCCA Response to PG&E Data  
7 Request No. 001 and Review of the Debt  
8 Savings For PG&E Plan XLSX is identified as  
9 PG&E-X-07.

10                       (Exhibit No. PG&E-X-07 was marked  
11 for identification.)

12 BY MR. WEISSMANN:

13           Q     So looking at the response to  
14 Question 2.

15           A     Yes.

16           Q     And here you say:  
17 PG&E's overall cost of debt  
18 upon emergence may be  
19 somewhat lower than PG&E's  
20 overall cost of debt before  
21 PG&E filed for bankruptcy  
22 due in part to the interest  
23 rate savings that PG&E has  
24 negotiated as part of its  
25 plan. And in part to  
26 interest rate changes over  
27 time in the normal course  
28 of business that are not

1 related to the plan or to  
2 the bankruptcy.

3 Do you see that?

4 A Yes.

5 Q And the interest rate savings that  
6 PG&E has negotiated as part of its plan, that  
7 refers to the note holder RSA?

8 A Yes.

9 Q And in that agreement, PG&E was  
10 able to refinance prepetition high coupon  
11 debt at lower interest rates; right?

12 A That's my understanding.

13 Q And PG&E could not have done that  
14 absent the bankruptcy; correct?

15 A Yes. I'll agree that that was the  
16 result of the bankruptcy.

17 Q So the direct rate impact is --  
18 withdrawn.

19 The direct rate impacts of the plan  
20 are those that would result from the cost of  
21 capital update that would follow emergence;  
22 correct?

23 A Well, that's where the first time  
24 that those savings would be incorporated into  
25 the rates.

26 Q And that would result in a rate  
27 reduction?

28 A Yes.

1           Q    Okay. Please take a look at what's  
2    been previously marked for identification as  
3    PG&E-11, which is Tab 8 of your binder. And  
4    this is a PG&E data response to a request  
5    from TURN. And directing your attention to  
6    the third page of that document, which has a  
7    table. Let me know when you're there.

8           A    I'm there.

9           Q    So this reflects PG&E's calculation  
10   of the estimated 2021 revenue requirement  
11   savings resulting from the plan; right?

12          A    Yes.

13          Q    And do you have any reason to  
14   disagree with this estimated revenue  
15   requirement savings?

16          A    Well I think as I -- I was asked  
17   this in the data response that we just  
18   referenced. And, no. I haven't had a chance  
19   to verify the source and accuracy of all  
20   these numbers.

21                But assuming that they're -- I have  
22   no reason sitting here to believe they're  
23   incorrect.

24          Q    So this spreadsheet show a 4.3  
25   percent post-emergent cost of debt; right?

26          A    Yes.

27          Q    And that factors in the  
28   amortization of the debt financing related

1 fees that PG&E's seeking to recover; right?

2 A Yes.

3 Q And if I understood your -- well,  
4 let me just ask you. Do you have an opinion  
5 as to whether PG&E's cost of debt would be  
6 lower than 4.31 had it not filed for  
7 bankruptcy?

8 A Well, I think it's my  
9 recommendation that's what the Commission  
10 should take a look at.

11 Q Right. You don't have an opinion  
12 one way or the other?

13 A I don't have -- sitting here I  
14 don't.

15 Q I think you said before if I wrote  
16 it down correctly that in determining the  
17 baseline, the Commission should consider the  
18 cost of debt of other California utilities;  
19 correct?

20 A Yes.

21 Q And if you look at your testimony  
22 page 26, lines 8 through 12, are you there?

23 A Yeah.

24 Q So here you say that. You say  
25 that:

26 The baseline should  
27 consider the financing cost  
28 for the other California

1 utilities.

2 Right?

3 A Yes.

4 Q So SCE's cost of debt for 2020 is  
5 4.74 percent; correct?

6 A Again, I have to look at the cost  
7 of capital decision.

8 Q Okay. Take my word for it. And --

9 A If that's where you got it from, I  
10 -- subject to check.

11 Q Take my word for it per Decision  
12 19-12-056, which we'll cite in the brief.  
13 SCE's cost of debt for 2020 is 4.74 percent?

14 A Well, that's what it was estimated  
15 to be in -- at the time of that cost of  
16 capital case.

17 Q It's the authorized amount.

18 A Yes.

19 Q And SDG&E's authorized cost of debt  
20 for 2020 is 4.59 percent.

21 A Again, subject to check.

22 Q So -- and we just established that  
23 PG&E's anticipated cost of debt on exit is  
24 4.3 percent; correct?

25 A Yes.

26 Q So PG&E's cost of debt will be  
27 lower than the authorized cost of debt for  
28 Edison and San Diego?



1           A     Well, that -- again, you know, that  
2     was a -- the San Diego and Edison cost of  
3     debt were figures that were estimated some  
4     time ago. And you're comparing that to a  
5     PG&E cost of debt that was estimated very  
6     recently.

7                     So, you know, that's something you  
8     would have to look at in the cost of capital  
9     proceeding. I'm not going to agree that  
10    those are -- that's an apples to apples  
11    comparison. It may be an apples and oranges  
12    comparison.

13                    Because the Edison and San Diego  
14    numbers may have been estimated several years  
15    ago. And their actual cost of debt today,  
16    because of lower interest rates, may be  
17    something lower than that.

18           Q     Okay. This was Decision -- this  
19    decision was issued in December of '19.

20           A     Yes. But the cases were filed  
21    quite a bit before that, and the information  
22    was prepared even earlier.

23           Q     Let's say that -- let me step back.

24                     You're suggesting that there be  
25    this baseline established and then the  
26    Commission will compare PG&E's actual cost of  
27    debt to that baseline; correct?

28           A     Yes.

1           Q   And then make some adjustment of  
2   some kind if there's a deviation from the  
3   baseline?

4           A   Well, my recommendation would be  
5   that the cost of capital for rates would be  
6   set based on the baseline.

7           Q   Okay. So if PG&E's actual cost of  
8   debt is below the baseline, would PG&E  
9   recover the baseline?

10          A   Well, again, this is for the --  
11   this is what the Commission needs to have a  
12   proceeding for. If it turns out by some --  
13   PG&E can show that its cost of capital is  
14   actually lower than it would have been  
15   without the bankruptcy, then I would assume  
16   the Commission would say, "Okay. You've met  
17   the rate neutrality provision, and we'll go  
18   forward based on your actual cost of  
19   capital."

20          Q   So it's a one-way ratchet?

21          A   Yes. Because that's certainly the  
22   way I interpret AB 1054. Is it has to be --  
23   you have to achieve neutrality. Once you  
24   achieved neutrality, then you satisfied the  
25   -- you know, that provision -- that portion  
26   of the statute. And you can move forward on  
27   a business as usual basis.

28          Q   So once PG&E's cost of debt is

1 below the baseline, then this comparison  
2 ends?

3 A Well, the Commission -- once the  
4 Commission has found that PG&E's cost are  
5 neutral on average, and the Commission has to  
6 determine what on average means and over what  
7 time period. Once that has been satisfied,  
8 then you've meet the conditions per the  
9 statute. ]

10 Q Yeah. I'm asking you what the end  
11 date is for your proposal.

12 A Well, I don't know what the end  
13 date is. The Commission needs to sit down  
14 and set a baseline and see where we are.

15 Q Right. But my question is does the  
16 proposal that you're setting forth end when  
17 PG&E's cost of debt is at or below the  
18 baseline?

19 A Well, that would certainly be a  
20 time for the Commission to -- in other words,  
21 if PG&E's costs have been above the  
22 baseline -- if the -- if rates have been set  
23 at the baseline and after several years  
24 PG&E's costs fall below the baseline, then  
25 that would probably be the right time to end  
26 the mechanism.

27 Q And what if PG&E's costs are below  
28 the baseline on exit?

1           A     Well, that's what we need to figure  
2     out.

3           Q     I understand we need to figure out  
4     whether that's the case. My question is if  
5     PG&E's costs were below the baseline on exit,  
6     would that mean that your recommendation  
7     would not apply?

8           MR. FOX: Your Honor, objection, I  
9     believe this has been asked and answered.

10          ALJ ALLEN: Overruled for now, but  
11     let's not go too much more on this.

12          THE WITNESS: I think that would be --  
13     that would be for the Commission to determine  
14     if the rate neutrality on average condition  
15     of AB-1054 had been satisfied.

16     BY MR. WEISSMANN:

17          Q     Please turn to page 24, lines 13  
18     to 17.

19          A     Okay.

20          Q     Here you posit higher financing  
21     costs; correct?

22          A     Yes.

23          Q     But you've not quantified those  
24     higher financing costs; correct?

25          A     No. I'm positing them because  
26     PG&E's witnesses seem to suggest that there  
27     will be a path to improving its credit  
28     ratings. While you're on that path, it would

1 stand to reason that you will have higher  
2 financing cost.

3 Q And there are many factors that  
4 contribute to those higher financing costs;  
5 correct?

6 A Yeah, I would agree that there are  
7 a number of factors that contribute to what a  
8 utility's financing costs are.

9 Q Like wildfire risk exposure in the  
10 future?

11 A Yes. But, you know, these  
12 factors -- that that is a risk that's faced  
13 by all of California utilities.

14 Q Correct. So it's not the result of  
15 the bankruptcy; right?

16 A Generally I would agree that so  
17 long as it's a risk that's also faced by  
18 Edison and San Diego, that it would not be  
19 due to the bankruptcy.

20 Q Right. And another risk is rating  
21 agency's perception of the California  
22 regulatory environment; right?

23 A Sure. That is a factor, yes.

24 Q Including its being fair and  
25 balanced; correct?

26 A Yes.

27 Q And not have one-way ratchets;  
28 correct?

1           A    I'm not sure I would agree one-way  
2    ratchets are unfair.

3           Q    So do you have a methodology for  
4    separating the potential impacts of the  
5    bankruptcy versus other factors?

6           A    Well, that's why I suggest  
7    comparing bringing in information on the  
8    financing costs for Edison and San Diego  
9    because those utilities are subject to, as we  
10   just discussed, many of these same  
11   considerations.

12          Q    Okay. Please turn back to the data  
13    responses which have been marked PG&E-X-07,  
14    Tab 2 in your binder. Take a look at  
15    Question and Answer 8.

16          A    Okay.

17          Q    Here you recommend a baseline that  
18    should start with PG&E's cost of capital in  
19    this 24-month period from November '16 to  
20    October '18; correct?

21          A    Yes.

22          Q    Where did this period come from?  
23    How did you invent that period?

24          A    I was asked in these data responses  
25    what the pre-petition -- about how to  
26    establish this baseline and, you know, to  
27    consider what PG&E's financial situation was  
28    before Chapter 11. You need to look at it

1 over a certain period of time. It seemed to  
2 me that those two years were a reasonable  
3 period of time to assess PG&E's financial  
4 condition before bankruptcy.

5 Q When did you extend it to  
6 January 28, 2019, the day before PG&E filed  
7 for bankruptcy?

8 A It seemed to me that sort of the  
9 precipitating factor in PG&E's bankruptcy was  
10 the Camp Fire so that I chose the two years  
11 prior to that incident.

12 Q Okay. So actually the baseline is  
13 a world in which there was no Camp Fire?

14 A Yes.

15 Q So it's not the bankruptcy. It's  
16 the bankruptcy plus the Camp Fire is the  
17 baseline?

18 A Well, I think that there's  
19 certainly a pretty -- seems to me to be a  
20 pretty close connection between the two. I  
21 don't think PG&E would be bankrupt today  
22 without the Camp Fire.

23 Q Okay. Well, what about the 2017  
24 fires? Are you excluding those?

25 A No. They're part of this period  
26 because PG&E did not declare bankruptcy after  
27 those fires.

28 Q But if the '17 fires had not

1 occurred and the Camp Fire did occur, would  
2 PG&E have filed? No way to answer that  
3 question; right?

4 A Yeah, there's no way to answer  
5 that. That's not what happened.

6 Q But your methodology is Camp in;  
7 '17 out?

8 A Well, again, it certainly -- yeah,  
9 it's my opinion that the Camp Fire was the  
10 precipitating factor.

11 Q What's that based on? What's your  
12 opinion based on?

13 A Well, the Camp Fire happened in  
14 November of 2018 and PG&E declared bankruptcy  
15 a couple months later.

16 Q You have the chronology correct,  
17 but you're attributing the filing -- you're  
18 saying the precipitating factor is the Camp  
19 Fire. I'm asking what's your basis?

20 A Well, I think it was PG&E's  
21 liabilities after the Camp Fire that caused  
22 it -- from the Camp Fire that caused it to  
23 file for bankruptcy.

24 Q So let's just get some facts clear.  
25 The rating agencies downgraded PG&E to  
26 subinvestment grade on January 10, 2019;  
27 correct?

28 A I accept that subject to check.



1           Q    That was before it filed for  
2 bankruptcy; right?

3           A    Yes.

4           Q    So had PG&E not filed for  
5 bankruptcy, any borrowings after it was  
6 subinvestment grade would have reflected that  
7 rating?

8           A    Sure, presumably, yeah.

9           Q    Okay. So let's look at your  
10 24-month period. So PG&E had different  
11 credit ratings throughout this period;  
12 correct?

13          A    Yes.

14          Q    So for the starting point, are you  
15 using an average of the costs over that  
16 period or a point in time? How are we to  
17 understand the starting point?

18          A    Yes. I would generally think that  
19 you would use the average over that period.

20          Q    So the average implies that you're  
21 not taking -- you're not permitting the cost  
22 of capital baseline to reflect the full  
23 effects of the 2017 fires; right?

24          A    Well, they reflect, you know, since  
25 the period includes the 2017 fires.

26          Q    Right.

27          A    So it does -- it reflects time both  
28 before and after those fires.

1           Q    Right.  So the average does not  
2   fully reflect the effects of the fires?

3           A    I suppose if you had wanted to do  
4   that, you'd just take a one-year period after  
5   the 2017 fires.

6           Q    Yeah, the lowest point.  But you're  
7   doing that?

8           A    I'm not doing that, right.

9           Q    Yeah.  So let's continue with your  
10   response to the data request.  Question and  
11   Answer 8.  I am in PG&E-X-07.  You're saying  
12   the baseline should be adjusted so -- sorry,  
13   step back.

14                   We're starting out with an average  
15   over this time period.  And then the next  
16   thing that you say is adjust that baseline  
17   for debt inequity PG&E would have raised  
18   after November 18th had it not been in  
19   Chapter 11 based on its credit ratings during  
20   the pre-petition baseline period.

21                   That's the average; right?

22           A    Yes.

23           Q    And adjust it for interest rate  
24   changes over time; right?

25           A    Yes.

26           Q    So when you begin the sentence "The  
27   baseline should be adjusted," are you saying  
28   it should be adjusted in terms of the quantum

1 of debt or the cost of the debt?

2 A You'd probably consider both.

3 Q So you're asking the Commission to  
4 determine the debt inequity PG&E would have  
5 raised had it not been in bankruptcy, how  
6 much, and how much it would have cost?

7 A Generally, yes.

8 Q And you're asking the Commission to  
9 assume that PG&E had the average credit  
10 rating for the period when determining what  
11 it would have done after October '18 absent  
12 the bankruptcy?

13 A Generally, yes. And, again, you  
14 can bring in information about what was going  
15 on with the other utilities during this  
16 period would be useful in establishing that  
17 baseline as well.

18 Q Let's talk about that next. So  
19 that continuing with your response, you say:

20 In establishing the  
21 baseline, the Commission  
22 should also consider the  
23 cost of capital both for  
24 the 24-month period and  
25 after November '19 for the  
26 Edison and San Diego.  
27 Right?

28 A Yes.

1           Q    So when you say the Commission  
2           should consider Edison and San Diego's cost  
3           of capital, what does it mean to consider?

4           A    Well, again, I think you're trying  
5           to read a mathematical formula into testimony  
6           that is not proposing a mathematical formula.  
7           I'm simply proposing the type of information  
8           that the Commission should look at in the  
9           cost of capital update proceeding in order to  
10          establish this baseline.

11          Q    Now --

12          A    The Commission considers such  
13          information as it sees fit.

14          Q    Yeah. I'm just seeking your  
15          opinions, sir. You don't have a specific  
16          recommendation about how they should consider  
17          in your testimony today?

18          A    No, I don't.

19          Q    You would acknowledge that  
20          decreases in credit rating not attributable  
21          to the bankruptcy are part of the baseline;  
22          right?

23          A    Yeah. If there are other things  
24          going on that affect credit ratings that  
25          should be considered in establishing the  
26          baseline, that would be fine.

27          Q    Edison and San Diego's credit  
28          ratings went down during this time frame;

1 correct?

2 A I don't know that. I haven't  
3 reviewed their credit ratings.

4 Q So let me ask you to accept that  
5 Edison had a credit rating one notch higher  
6 than PG&E during the proposed baseline  
7 period.

8 A Subject to check, I'll accept that.

9 Q So would that mean that in  
10 conducting this analysis that you're  
11 proposing, we would expect PG&E's baseline to  
12 be a credit rating one notch below Edison?

13 A Again, that would certainly be one  
14 way to do it. I'm not presenting a detailed  
15 recommendation here. The intent here was to  
16 broadly outline how this process would work  
17 and the kind of information that the  
18 Commission could look at.

19 Q All right. The same exhibit, page  
20 four, Question 9. Here you make reference to  
21 a chart or figure from Ms. Meal's testimony;  
22 correct?

23 A Yes.

24 Q So are you saying that the baseline  
25 should be BBB+?

26 A Well, that was the average of  
27 PG&E's credit rating over those 24 months.

28 Q Right. That's not my question.

1           A    But it sounded like it was your  
2 question.

3           Q    My question was in your submission,  
4 is it your opinion that the baseline should  
5 be set at BBB+?

6           A    Again, that's my recommendation for  
7 a baseline period. Over that period PG&E's  
8 average credit rating was BBB+. So that  
9 certainly would be probably where I would  
10 start.

11          Q    Right. And then there's  
12 adjustments after that?

13          A    That's right.

14          Q    Including decreases that the other  
15 utilities in California experienced?

16          A    Possibly, yes.

17          Q    You're not aware that PG&E -- that  
18 other utilities --

19          A    Again, I -- no, I'm not aware of  
20 what the trajectory of their credit rating  
21 has been.

22          MR. FOX: Your Honor, I have to object  
23 to this line of questioning. I believe that  
24 Mr. Beach has testified that he is not  
25 offering a specific proposal for how to  
26 calculate this in this proceeding, that he  
27 has merely proposed a way to go about a  
28 procedural mechanism that the Commission can

1 use to establish a baseline.

2 ALJ ALLEN: I think we have some  
3 clarity as to where we are on here, so if  
4 you'd move on to the next thing.

5 MR. WEISSMANN: I'm moving on, yes.

6 Q Given the lack of specificity  
7 around your proposal, this sounds fairly  
8 uncertain about how the Commission would  
9 implement it; correct?

10 ALJ ALLEN: I think the parties will  
11 stipulate that there's often uncertainty as  
12 to how the Commission will consider things.

13 BY MR. WEISSMANN:

14 Q And creating more uncertainty  
15 around the Commission's ratemaking is not a  
16 positive for the rating agency's perception  
17 of the regulatory environment; correct?

18 A Well, you know, it is what it is.  
19 This is a case where the Commission has --  
20 the Commission had a statute that it has to  
21 satisfy. I simply do not see that you can  
22 satisfy that condition of ratepayer  
23 neutrality on average without doing a counter  
24 factual, but-for comparison.

25 PG&E's witnesses in their testimony  
26 say the same thing, so I think that's what  
27 needs to be done to satisfy the statute.

28 Q Turn to page 23 of your testimony,

1 please.

2 A Okay.

3 Q Here you're talking about PG&E's  
4 interest costs savings calculation; right?

5 A Yes.

6 Q You note that PG&E's calculation is  
7 that the present value of the interest cost  
8 savings is approximately \$1 billion; right?

9 A Yes.

10 Q And you calculate it at a lower  
11 amount; correct?

12 A Yes.

13 Q And you provided us a spread sheet  
14 that set forth your calculation?

15 A Yes.

16 Q So directing your attention to that  
17 spread sheet, which is, I believe, part of  
18 PG&E-X-07, which is Tab 2 of your binder.  
19 It's at the back.

20 A Okay.

21 Q You prepared this spread sheet;  
22 right?

23 A Well, it was prepared under my  
24 direction.

25 Q Do you adopt it as your testimony?

26 A Yes.

27 Q So looking at the right-hand side,  
28 the far right column is PG&E's analysis;



1 correct?

2 A Yes.

3 Q That's the 943. And then your  
4 responsive one is one over to the left, which  
5 is labeled "Savings/Cost"; correct?

6 A Yes.

7 Q And that's 796?

8 A Yes.

9 Q To do this calculation, you did the  
10 present value of the interest and principal;  
11 correct?

12 A Yes.

13 Q Going back to page two of Exhibit  
14 PG&E-X-07, response to Question 5.

15 A Okay.

16 Q Here you talk about various  
17 discount rates, 10.25 and 7.81; right?

18 A Yes.

19 Q In your opinion, are 7.81 and 10.25  
20 standard discount rates used in ratemaking  
21 analysis?

22 A Yes.

23 Q Okay. Just taking a step back, all  
24 of these various calculations show interest  
25 cost savings resulting from the plan;  
26 correct?

27 A Yes.

28 MR. WEISSMANN: That's all I have, your

1 Honor.

2 ALJ ALLEN: Thank you, Mr. Weissmann.

3 Off the record.

4 (Off the record.)

5 ALJ ALLEN: On the record. We will  
6 take a recess until 10:30 by the wall clock.

7 (Off the record.)

8 ALJ ALLEN: On the record.

9 Ms. Koss.

10 MS. KOSS: Thank you.

11 CROSS-EXAMINATION

12 BY MS. KOSS:

13 Q Good morning, Mr. Beach.

14 A Good morning.

15 Q My name is Rachel Koss. I'm here  
16 on behalf of Coalition of California Utility  
17 Employees. It's nice to see you again.

18 A Nice to see you.

19 Q In your testimony, you recommend  
20 that PG&E phase out its electric generation  
21 service and associated procurement by 2025 so  
22 that PG&E can focus on safety. You  
23 understand that Diablo Canyon is scheduled to  
24 be closed in 2024 and 2025; right?

25 A Yes.

26 Q And so that will end the largest  
27 portion of PG&E's generation; is that right?

28 A Well, I mean the hydro system

1     probably has more megawatts than Diablo  
2     Canyon so I'm not sure what you mean by  
3     largest.

4             Q     Let's rephrase; the single largest?

5             A     Single largest, yes.

6             Q     I provided to you a chart. It has  
7     been marked as Exhibit TURN-X-02. This is a  
8     42-page chart. It was provided by PG&E to  
9     TURN in response to Data Request TURN-17,  
10    Question 3. It shows the organizational  
11    structure of the corporation and the utility.  
12    Have you had a chance to review that chart?

13            A     Very briefly, yes, I've looked  
14    through it.

15            Q     Okay. Do you have any reason to  
16    dispute the information in the chart?

17            A     No.

18            MS. KOSS: May we go off the record for  
19    a moment?

20            ALJ ALLEN: Off the record.

21                    (Off the record.)

22            ALJ ALLEN: On the record.

23    BY MS. KOSS:

24            Q     Approximately what percentage of  
25    PG&E, including the corporation, the utility,  
26    according to this 42-page chart is dedicated  
27    to electric generation?

28            A     You're looking for a percentage?

1           Q    There's 42 pages. Can you identify  
2 about how many of them are dedicated to  
3 electric generation?

4           ALJ ALLEN: Ms. Koss, that exhibit, is  
5 that a complete org chart of PG&E or is that  
6 excerpts?

7           MS. KOSS: My understanding is that it  
8 is a complete org chart of the organizational  
9 structure.

10          ALJ ALLEN: Okay. Thank you.

11          THE WITNESS: Basically it looks like  
12 there's three pages that are on generation  
13 and then there's, I think, another one on  
14 electric procurement.

15 BY MS. KOSS:

16          Q    So four pages of the organization  
17 of the 42 are dedicated to generation and  
18 procurement?

19          A    I mean obviously there's a lot of  
20 shared services in here too where people  
21 would support those functions in PG&E.

22          Q    And PG&E has about 24,000  
23 employees; right?

24          A    Yes.

25          Q    How many of those employees do you  
26 know are dedicated to electric procurement?

27          A    I don't know the answer to that.

28          Q    Would you agree that it's a small

1 number?

2 A In the context of 24,000, I'm sure  
3 it's a relatively small number.

4 Q And because it's losing so much  
5 load to CCAs, PG&E is overprocured for  
6 renewables; right?

7 A Yes.

8 Q And much of what PG&E's procurement  
9 department is now doing is selling off its  
10 excess procurement; is that right?

11 A That's certainly something that's  
12 going on, yes.

13 Q And that revenue is then credited  
14 back to ratepayers; right?

15 A Yes.

16 Q You're not suggesting that PG&E end  
17 that activity depriving ratepayers of that  
18 revenue, are you?

19 A No.

20 Q Have you performed a quantitative  
21 analysis of safety improvements from PG&E  
22 phasing out its electric generation service?

23 A I have not, but if you look at the  
24 history of the last 10 years, most of the  
25 safety-related issues have arisen with the  
26 delivery of energy by PG&E, either gas or  
27 electricity, not with the generation.

28 Q You, yourself, have not performed

1 an analysis of safety improvements from PG&E  
2 phasing out procurement?

3 A No.

4 MS. KOSS: Thank you, your Honor. I  
5 have no further questions.

6 Thank you, Mr. Beach.

7 ALJ ALLEN: Thank you, Ms. Koss.

8 Mr. Bloom.

9 CROSS-EXAMINATION

10 BY MR. BLOOM:

11 Q Good morning, Mr. Beach. My name  
12 is Jerry Bloom and I'm here on behalf of the  
13 Tort Claims Committee. In your testimony on  
14 page three, you express your concern with how  
15 the plan complies with AB-1054 in both the  
16 short term and the long term; is that  
17 correct?

18 A Yes.

19 Q And assuming that the CPUC approves  
20 the plan with or without changes, your  
21 testimony is that you believe the CPUC needs  
22 continuing active oversight of PG&E safety  
23 and reliability to assure safety and  
24 reliability?

25 A Yes, I agree with that.

26 Q And that all tools are needed to  
27 assure that outcome again, the safe and  
28 reliable system?

1           A    Yes.

2           Q    And the focus, if I understand your  
3 testimony, is as to potential changes that  
4 may be needed in the scope and structure of  
5 the business; is that correct?

6           A    Yes.

7           Q    Would you accept that there are  
8 other reasons besides potential changes to  
9 scope and structure of the business that  
10 might need to be adjusted in this interim or  
11 this continuum period that you're talking  
12 about from moving as we move from the short  
13 term to the long term?

14          A    Are you saying are there reasons,  
15 other reasons, why the scope and structure of  
16 PG&E as an organization might need to be  
17 adjusted over time?

18          Q    No, that there are other things  
19 besides corporate structure and the scope of  
20 the business that also may need to be  
21 adjusted over time in order to assure or move  
22 toward safety and reliability?

23          A    Sure. I mean, obviously there are  
24 a lot of ongoing initiatives in that  
25 direction, yes.

26          Q    And can you explain or clarify,  
27 given the plan gets adopted or approved by  
28 the Commission in the time frame we're

1 looking at, how does this work? Where does  
2 this oversight or where do these things --  
3 what's the mechanism to make these  
4 adjustments or changes, be they broader  
5 things or more narrow things, but course  
6 corrections, if you will, as we go through  
7 the process? How does that work?

8 A Well, the Commission has, you know,  
9 one of the -- they have still open the safety  
10 culture of OII, and one of our  
11 recommendations is that that case needs to  
12 remain open and that that certainly -- the  
13 Commission has held several workshops and  
14 taken a lot of thoughtful and important  
15 comments in that process, and that some of  
16 the recommendations that have been made in  
17 that process need to be, you know, remain on  
18 the table and remain something that, if  
19 necessary, the Commission could use in the  
20 future.

21 Q So in addition to that proceeding  
22 that you've just cited, there's a number of  
23 other parts of the plan or limitations that  
24 aren't part of the record yet, aren't part of  
25 the actual plan; is that correct? For  
26 example, the regional reorganization plan  
27 that's yet to be developed? ]

28 A Yes. I mean that is in extremely



1     skeletal form. And, you know, there are  
2     going to be a lot of important details about  
3     how that's going to work that the Commission  
4     is going to need to review going forward.

5           Q     So the Commission's decision that  
6     will be made pursuant to this proceeding will  
7     be on the existing plan, but there's a number  
8     of other things that will occur as we move  
9     through immediately and through the longer  
10    term such as the restructuring plan, a number  
11    of other things that are going to be filled  
12    in, the details, that will be filed, as we  
13    move through this. That's correct.

14                So beyond the safety proceeding,  
15    there may be a number of other proceedings.

16           A     Yes, and I think we had a lot of  
17    discussion this morning about the ratepayer  
18    neutrality aspect, which, you know, in our  
19    view is something that -- it's not just a  
20    snapshot in time. You know, we're not just  
21    going to take one snapshot as of the moment  
22    PG&E emerges from its plan and decide it's  
23    ratepayer neutral.

24           Q     So just using it just again for  
25    clarification, at the time we're going to  
26    make this decision, move forward, and get  
27    PG&E out of bankruptcy, and get them into the  
28    Wildfire Fund, there will be a snapshot right

1 now that we have to look at as the plan is  
2 developed, as the plan is now sitting before  
3 the Commission, saying, this meets the  
4 standard, and we're going to have to make  
5 that determination.

6 We can't make the long-term  
7 determination yet. Lots of things -- lots of  
8 other things will come later, but you agree  
9 that for right now we have to look at the  
10 plan and what's before the Commission.  
11 They're going to make a decision on what's  
12 here in front of us right now.

13 A Yes. For better or for worse, the  
14 legislature put a deadline, and that's why  
15 we're in this sort of rocket docket to get us  
16 to June 30th, but this is also a really  
17 important moment for the long term, and it's  
18 important for the Commission to at least  
19 indicate an outline of what it wants PG&E to  
20 look like going forward.

21 We're not going to be able to fill  
22 in all the details of what that picture  
23 should be, but it is a really important  
24 moment to provide some kind of outline.

25 Q And your testimony, if I understand  
26 it, would be, as you develop later in your  
27 testimony, that that includes the metrics or  
28 the measurements or even the milestones that

1 need to be considered or met or looked at as  
2 we move forward as they exit the bankruptcy?

3 A Yes.

4 Q And do those metrics, milestones,  
5 things, how and where do they get developed  
6 or how does that get adjusted or as these  
7 filings get made, how does the Commission use  
8 those tools or develop those tools and  
9 criteria?

10 A Well, I think we've had some  
11 discussion about the financial metrics, and  
12 there's the Cost of Capital update proceeding  
13 that has been established, and for that, you  
14 know, again, there's the ongoing Safety  
15 Culture proceeding, and it's our  
16 recommendation that that should stay open and  
17 the Commission should retain its full  
18 jurisdictional flexibility to take any action  
19 in that proceeding that's necessary going  
20 forward as circumstances evolve.

21 Q So from a victim's perspective,  
22 particularly as to safety and reliability,  
23 the ability to make these course corrections  
24 in your opinion would be necessary to  
25 optimize the outcome of maintaining a safe  
26 and reliable system and avoiding catastrophic  
27 or other unacceptable events going forward?

28 A Yes. I mean, we -- if the last few

1 years have taught us anything, it's, you  
2 know, there may be additional shocks in the  
3 future. Hopefully not, but, you know, you  
4 have to prepare for that.

5 And the Commission needs to be able  
6 to respond to what happens in the future with  
7 all the tools it has available.

8 MR. BLOOM: Thank you, Mr. Beach. I  
9 have no further questions.

10 ALJ ALLEN: Thank you, Mr. Bloom.

11 My understanding is this completes  
12 the cross-examination of Mr. Beach; is that  
13 correct, Mr. Cragg?

14 MR. CRAGG: Yes, your Honor.

15 ALJ ALLEN: Is there any redirect?

16 MR. FOX: No, your Honor. Thank you.

17 ALJ ALLEN: Thank you, Mr. Beach. You  
18 are excused.

19 Let's go off the record.

20 (Off the record.)

21 ALJ ALLEN: On the record.

22 Mr. Fox.

23 MR. FOX: Your Honor, the Joint CCAs  
24 would like to move what has been marked as  
25 Exhibit JCC-01, the Prepared Reply Testimony  
26 of R. Thomas Beach into the record.

27 ALJ ALLEN: Is there any objection for  
28 receipt of that exhibit?

1 (No response.)

2 (Exhibit No. JOINT CCA-01 was  
3 received into evidence.)

4 ALJ ALLEN: Seeing none.

5 Joint CCA-01 is received.

6 Thank you, Mr. Fox.

7 Mr. Alcantar.

8 MR. ALCANTAR: Your Honor, at this time  
9 TURN/EPUC and Indicated Shippers calls  
10 Michael Gorman to the stand.

11 ALJ ALLEN: Thank you.

12 MICHAEL GORMAN, called as a witness  
13 by TURN/EPUC/IS, having been sworn,  
14 testified as follows:

15 ALJ ALLEN: Please be seated. State  
16 your full name and spell your last name for  
17 the record.

18 THE WITNESS: My name is Michael,  
19 M-i-c-h-a-e-l, Gorman, G-o-r-m-a-n.

20 ALJ ALLEN: Thank you.

21 Mr. Alcantar.

22 MR. ALCANTAR: Your Honor, there are a  
23 few documents that have been marked for  
24 identification, including, EPUC-01 and  
25 EPUC-01-C. I want to make sure that it is  
26 clear, as counsel has requested, that we note  
27 that of the attachments that are part of the  
28 public version, as well as the confidential  
version of these exhibits, there are some

1 yellow highlights in the attachments.

2           These highlights were made by  
3 Mr. Gorman in the review of these documents  
4 to highlight areas where he was relying upon  
5 particular passages.

6           ALJ ALLEN: Let me just make sure we're  
7 clear on which is what. So the previously  
8 prepared testimony of Mr. Gorman was marked  
9 as TURN/EPUC/IS-02; correct?

10           MR. ALCANTAR: Yes. Thank you, your  
11 Honor.

12           ALJ ALLEN: Then you've presented me  
13 with exhibits in the hearing room: One is an  
14 EPUC Response to PG&E's Data Request, Set 1,  
15 and accompanying attachments, and my  
16 understanding is that would be marked as just  
17 EPUC-01.

18           MR. ALCANTAR: Correct. That is a  
19 public version.

20                   (Exhibit No. EPUC-01 was marked for  
21 identification.)

22           ALJ ALLEN: A public version of that  
23 document. And then you have provided a --  
24 there's a one-page attachment to that  
25 document that is confidential.

26           MR. ALCANTAR: The so-called  
27 "Attachment 13."

28           ALJ ALLEN: And what I have done is I

1 have marked that as EPUC-01-A-C. So it's an  
2 attachment that's confidential, and that is  
3 identified as EPUC-01-A-C.

4 (Exhibit No. EPUC-01-A-C was marked  
5 for identification.)

6 ALJ ALLEN: And then the other document  
7 that was provided is the Attachment to PG&E's  
8 Omnibus Supplemental Data Response, Set 2, on  
9 February 19th, et cetera, and that would be  
10 identified as EPUC-02; correct?

11 MR. ALCANTAR: Correct.

12 (Exhibit No. EPUC-02 was marked for  
13 identification.)

14 ALJ ALLEN: Okay. That one is  
15 identified as EPUC-02. And then the  
16 highlighted text you are discussing is in  
17 which exhibit?

18 MR. ALCANTAR: EPUC-01.

19 ALJ ALLEN: Thank you. Go ahead.

20 MR. ALCANTAR: I should also, I think,  
21 point out to you EPUC-02 also has a  
22 confidential version for materials that were  
23 deemed by PG&E to be confidential. Still,  
24 I'm not sure how many of those documents  
25 still remain confidential - to be perfectly  
26 blunt with you this morning - from PG&E's  
27 standpoint, but there was a previously-marked  
28 identified edition of EPUC-02, which I think

1 is EPUC-02-C.

2 ALJ ALLEN: Okay. I'm not sure that  
3 has been marked for record. Just to be  
4 clear, EPUC-02-C is a confidential version of  
5 EPUC-02.

6 MR. ALCANTAR: Correct.

7 (Exhibit No. EPUC-02-C was marked  
8 for identification.)

9 ALJ ALLEN: Okay. Thank you.

10 MR. ALCANTAR: Lastly, to be somewhat  
11 efficient, PG&E has agreed that these  
12 documents, as identified by stipulation, may  
13 be entered into the record.

14 ALJ ALLEN: Is that everything that  
15 we've talked about, including TURN/EPUC/IS or  
16 just EPUC-01, EPUC-01-A-C, EPUC-02 and  
17 EPUC-02-C?

18 MR. ALCANTAR: The latter. The EPUC  
19 testimony that Mr. Gorman is supporting in  
20 conjunction with TURN and IS is still subject  
21 to cross.

22 ALJ ALLEN: So is there any objection  
23 to the receipt into the record of EPUC-01,  
24 EPUC-01-A-C, EPUC-02 or EPUC-02-C?

25 MR. WEISSMANN: Can we be off the  
26 record for a moment?

27 ALJ ALLEN: Yes.

28 (Off the record.)



1 ALJ ALLEN: On the record. We'll hold  
2 that motion in abeyance for now while the  
3 parties may examine and confer.

4 Mr. Alcantar, you may present your  
5 witness.

6 MR. ALCANTAR: Thank you, your Honor.

7 DIRECT EXAMINATION

8 BY MR. ALCANTAR:

9 Q Mr. Gorman, do you have before you  
10 what's been marked for purposes of  
11 identification TURN/EPUC/IS Exhibit 2, which  
12 is your Prepared Reply Testimony in this  
13 case?

14 A I do.

15 Q Was that information or testimony  
16 prepared under your direction?

17 A It was.

18 Q And do you adopt it as true and  
19 correct?

20 A I do.

21 MR. ALCANTAR: This witness is  
22 available for cross-examination.

23 ALJ ALLEN: Thank you, Mr. Alcantar.

24 Mr. Weissmann.

25 CROSS-EXAMINATION

26 BY MR. WEISSMANN:

27 Q Good morning. My name is Henry  
28 Weissmann. I'm one of the attorneys

1       representing PG&E in this matter.

2               A     Good morning.

3               Q     Please turn to your testimony,  
4     page 20.

5               A     I'm there.

6               Q     Directing your attention to lines  
7     15 through 18.

8               A     I'm there.

9               Q     You state:  "Approximately, \$5.8  
10    billion of RSA debt will be subject to the  
11    financing of the company's post-exit credit  
12    rating and cost of debt.  The change in  
13    interest rate for this other RSA debt has  
14    simply not been estimated by PG&E in its  
15    testimony," end quote.

16                    Do you see that?

17               A     I do.

18               Q     So is it your understanding the  
19    portion of the debt under the noteholder RSA  
20    will be issued at market interest rates?

21               A     Well, at the time I wrote this  
22    testimony it was unclear to me whether or not  
23    that was going to be repriced.  In data  
24    submittals by the company since then it  
25    appears as though it may be reinstated at  
26    coupon rates that previously existed, but it  
27    was unclear to me at the time I filed this  
28    testimony.

1           Q    All right.  And at the time you  
2   filed this testimony, you had Mr. Wells'  
3   testimony; right?

4           A    I did.

5           Q    Would you please turn to Mr. Wells'  
6   testimony.  You have a binder there that you  
7   might want to look at.  It's in Tab 5.

8           A    I'm there.

9           Q    Turn to page 2-28.

10          A    I'm there.

11          Q    So there's subsections (a), (b) and  
12   (c) on pages 20 and 29.  Do you see that?

13          A    I do.

14          Q    And these passages describe the  
15   terms of the debt being issued pursuant to  
16   the noteholder RSA; correct?

17          A    That's correct.

18          Q    So if we look at (a), it states,  
19   and I'm reading from page 2-28, starting at  
20   line 5:  "1,949 million in new notes bearing  
21   an interest Rate of 3.15 percent."

22                   Do you see that?

23          A    I do.

24          Q    A little further down, starting at  
25   line 10, it refers to another 1,949 million  
26   of notes bearing an interest rate of 4.5;  
27   correct?

28          A    Correct.

1           Q   And then if we turn to page 2-29,  
2   we have the medium-term notes, and  
3   referencing around line 3, it's stated that  
4   the interest rate on that issue would be 3.45  
5   percent; correct?

6           A   Correct.

7           Q   And then on line 8, 3.75 percent;  
8   correct?

9           A   Yes.

10          Q   And are these the notes you were  
11   referencing that add up to the 5.8 billion?

12          A   Appear to be.

13          Q   So your testimony was in error?

14          A   Well, there was stated interest  
15   rates. I don't know. I could have  
16   articulated more clearly. There was a lot of  
17   information to consume in this. The interest  
18   rates were more firmly stated than what I was  
19   originally -- understood, but I don't know  
20   whether or not these stated interest rates in  
21   any way reflects the credit standing of the  
22   utility as it exits bankruptcy.

23          Q   Yeah, but is it --

24          A   From that standpoint, it will not  
25   be refinanced at market rates, but the stated  
26   interest rates on these notes has been  
27   identified exiting bankruptcy, but I can't  
28   say for certain whether or not those interest

1 rates were impacted by the credit standing.

2 Q Yeah. That wasn't my question.

3 ALJ ALLEN: Well, your question was, he  
4 made an error.

5 MR. WEISSMANN: Yes.

6 ALJ ALLEN: So I think he's explaining  
7 why maybe --

8 MR. WEISSMANN: Well --

9 ALJ ALLEN: Go ahead, Mr. Weissmann.

10 BY MR. WEISSMANN:

11 Q Your testimony on page 20 was that  
12 the interest rate for this other RSA debt  
13 simply has not been estimated by PG&E in it  
14 its testimony. That was in error.

15 A It has been estimated. So that's  
16 correct.

17 Q Turn to page 12 of your testimony.

18 A I'm there.

19 Q Lines 5 through 8.

20 So here you assert that costs  
21 directly associated with the bankruptcy  
22 should not be included in the development of  
23 prospective rates; correct?

24 A Yes.

25 Q Turning to page 21, lines 5  
26 through 6. Are you there?

27 A Yes, I am.

28 Q And here you reference other

1 aspects of PG&E's debt interest cost that may  
2 result in increased interest cost as a result  
3 of PG&E's filing for bankruptcy; correct?

4 A I do.

5 Q So is it your recommendation that  
6 the Commission examine the costs that  
7 ratepayers pay compared to the cost they  
8 would have paid in a world in which there  
9 would have been no bankruptcy?

10 A In measuring whether or not the  
11 bankruptcy elected debt interest rate  
12 savings, I would recommend that the  
13 Commission consider whether or not there were  
14 increases in interest rates, cost associated  
15 with the bankruptcy in determining whether or  
16 not the net impact from the bankruptcy had  
17 the effect of producing interest rate savings  
18 to customers or interest rate cost.

19 Q Right. And to determine if there  
20 were increased costs, you would compare the  
21 actual costs to the costs that would have  
22 existed had there not been a bankruptcy;  
23 correct?

24 A To the extent there is increased  
25 interest cost that can be attributable to the  
26 bankruptcy filing.

27 Q Right. I'm asking you how you  
28 would determine that. So my question is,

1 increased compared to what? Increased  
2 compared to a world in which there was no  
3 bankruptcy?

4 A There would be increased cost  
5 associated with what the company's actual  
6 interest costs are, and then exiting  
7 bankruptcy compared to what the interest  
8 rates would have been had it not filed for  
9 bankruptcy.

10 Q Thank you.

11 And in that hypothetical world in  
12 which there was no bankruptcy, are you  
13 assuming that there would have been wildfire  
14 claims' costs?

15 A I haven't made the assumption yet,  
16 but it would be an estimate based on the  
17 financial condition and the borrowing cost of  
18 the utility that would exclude any financial  
19 consequences of costs that are not  
20 appropriate for government -- for retail  
21 ratepayers.

22 Q Let me try the question again.

23 So you're saying we should compare  
24 the actual costs that PG&E will incur to the  
25 costs it would have incurred without a  
26 bankruptcy? ]

27 A I'm not really following your  
28 methodology. I guess it's similar but a

1 little different. I think there might be  
2 identifiable interest costs the utility would  
3 incur that are attributable to it having  
4 filed for bankruptcy. Or having heard  
5 certain costs that may not be recoverable  
6 from retail customers.

7 Either instance there may be  
8 increased interest costs, but that would not  
9 be appropriate for recovery from retail  
10 customers.

11 Q A few minutes ago -- and I'll reset  
12 this premise. Maybe I need to go back over  
13 it. I think you said as increased costs --  
14 to determine if there are increase costs, we  
15 compare the actual costs to a world in which  
16 there was no bankruptcy; correct?

17 A Yeah. But I wasn't limiting it to  
18 that.

19 Q So it's increased costs that would  
20 have existed in a world without bankruptcy  
21 and without wildfire claims?

22 A It's any increased costs that are  
23 associated imprudent or unreasonable --

24 (Phone interruption.)

25 ALJ ALLEN: Off the record.

26 (Off the record.)

27 ALJ ALLEN: On the record.

28 Go ahead, Mr. Weissmann.



1 BY MR. WEISSMANN:

2 Q I apologize. Let me go back over  
3 this. So you're referencing increased costs.  
4 And to determine if they're increased costs,  
5 you would compare the actual costs to a world  
6 in which there was no bankruptcy and no  
7 fires?

8 A I am describing a situation where  
9 we identify increased costs that are not  
10 appropriate to recover from retail customers.

11 Those increased costs can be  
12 attributable to imprudent actions of the  
13 utility for costs that simply aren't  
14 reasonable. Factors that have resulted in  
15 the utility incurring unreasonable costs  
16 include its bankruptcy filing and certain  
17 consequences of wildfire damage claims  
18 imposed on the utility in 2017 and 2018.

19 Q So to implement your  
20 recommendation, would the Commission need to  
21 conduct a review into the prudence of PG&E's  
22 actions relative to the 2017 and 2018 fires?

23 A If the utility makes a claim that  
24 the costs related to those fires were prudent  
25 and reasonable, I think the Commission would  
26 want the record on whether or not the  
27 utility's claim was accurate.

28 Q Sorry. Let me back up. Let me see

1 if I can define some terms that will maybe  
2 make this easier. You're comparing the  
3 actual costs to the baseline. And we'll  
4 define the baseline as a world in which there  
5 were no bankruptcy, and I think you're saying  
6 no fire claims costs that are deemed  
7 imprudent; is that correct?

8 A Well, I haven't completely designed  
9 the analysis that I think it would be  
10 necessary in order to identify whether or not  
11 costs were inappropriate for recovery from  
12 customers. But the basic objective would be  
13 to identify costs which were incurred as a  
14 result of imprudent management or costs which  
15 are found to be unreasonable.

16 And based on this record, I would  
17 suggest that costs related to the bankruptcy  
18 filing, which in part was triggered by the  
19 2017 and 2018 wildfire damage claims against  
20 the utility, would fall into that imprudent  
21 and unreasonable category.

22 Q But there's been no determination  
23 of whether PG&E's conduct was imprudent or  
24 unreasonable; correct?

25 A I haven't reviewed whether or not  
26 there's been a determination of that. I do  
27 know that 2017 and 2018 settlements were part  
28 of the reorganization plan to deal with the

1 bankruptcy filing.

2 Q Right. But there was no finding or  
3 admission of imprudence or unreasonableness.

4 A I'm not aware of the utility  
5 asserting in any way that the costs incurred  
6 for the '17 and '18 wildfire damage claims as  
7 prudent and reasonable. So I'm not aware of  
8 any utility responding to the assertion the  
9 utility hasn't yet made.

10 Q To implement your recommendation to  
11 define the baseline, the Commission would  
12 have to make a determination with respect to  
13 prudence the reasonableness of the utility's  
14 conduct; right?

15 A They would if the utility saw a  
16 recovery of cost from customers, yes. I  
17 presume they would. That's really a legal  
18 question. But I presume there would be a  
19 finding that the Commission would use in  
20 order to determine whether or not they're  
21 appropriate for recovery of rates from retail  
22 customers.

23 Q But if the utility doesn't seek  
24 recovery of the costs, we're just  
25 implementing your baseline concept, they  
26 would still need to make that finding; right?

27 A When? When they file rates? If  
28 the utility doesn't seek recovery of those

1 costs, the Commission wouldn't need to assess  
2 whether or not the company is seeking to  
3 recover costs which are a result of imprudent  
4 actions or costs that are unreasonable.

5 Q Right. But to implement your  
6 baseline, they would have to make that  
7 finding; correct?

8 A My baseline is to not include costs  
9 in the development of rates which the  
10 Commission finds to be imprudent or  
11 unreasonable. To the extent the utility  
12 doesn't seek recovery of such costs, then the  
13 Commission would not need to make a finding  
14 of the unreasonable or imprudence of the cost  
15 if they're not subject to have cost the  
16 utility's seeking to recover in rates.

17 Q Okay. So in your hypothetical  
18 world without bankruptcy, without imprudent  
19 costs, would we also posit that inverse  
20 condemnation exists as a legal document?

21 A I think you would look to the  
22 actual circumstances facing the risk of the  
23 utility as it actually stood. As well as  
24 legislation which mitigated the risk of  
25 utility investors to inverse condemnation.  
26 Yes, those would be factors that would be  
27 considered, yes.

28 Q And so we're talking about the

1 world before the bankruptcy? Or the world in  
2 the future?

3 A We would be talking about the world  
4 in which the utility files its test year  
5 proceeding seeking certain costs to be  
6 included in the development of its revenue  
7 requirement and recovery of retail rates.

8 So it would be based on that  
9 context whether or not any of those costs  
10 included and costs of service should be  
11 excluded on the basis of imprudence or  
12 unreasonableness.

13 Q So we would consider the risks  
14 associated with wildfires?

15 A If it was relevant in that future  
16 test year to the extent inverse condemnation  
17 and other regulatory practices by the  
18 Commission are a factor in establishing the  
19 utility's credit standing and access to  
20 capital.

21 Q Now, had you set forth an analysis  
22 of the cost that PG&E's ratepayers would have  
23 paid in a world without the bankruptcy?

24 A Not in this case.

25 Q But you would ask the Commission to  
26 catalog those costs?

27 A I would ask the Commission to set a  
28 standard that costs that are either imprudent

1 or unreasonable would not be included in the  
2 development of perspective rates.

3 Those costs in this case would  
4 include bankruptcy-related costs, which  
5 includes the settlement claims for 2017 and  
6 2018 wildfire damage.

7 Q Well, those -- okay.

8 What we're talking about here is  
9 the cost of debt; correct?

10 A What we're talking about here is  
11 whether or not the bankruptcy has resulted in  
12 debt interest rate savings.

13 Q Right so we have to posit what the  
14 cost of debt would have been?

15 A We have to respond to the utility's  
16 claim that there is interest rate savings  
17 that was produced by the bankruptcy filing.  
18 And in doing that, I acknowledge that there  
19 may have been interest rate savings  
20 associated with high coupon debt that you  
21 were able to refinance down to market levels  
22 that you may not have been able to  
23 economically refinance absent the bankruptcy.  
24 And whether or not those debt interest rate  
25 savings were offset by increased interest  
26 costs that were related to bankruptcy filing.

27 Q Right. So let's talk about that.  
28 So to determine what the increased cost may

1 have been, we have to limit it, as you said,  
2 to actions of PG&E; right?

3 A Within factors that would have lead  
4 to the degradation in its bond rate. That  
5 may have been avoided had it not needed to  
6 file bankruptcy.

7 Q Well, certainly changes -- would  
8 you agree that the actual improved cost of  
9 debt for Edison and San Diego are reasonable  
10 comparatives?

11 A Not necessarily with PG&E. Their  
12 cost of debt would reflect their contractual  
13 provisions and the time period where they  
14 went to the market to issue debt and the  
15 contractual limits to refinance that debt.

16 I think both of their embedded debt  
17 structures are reasonable. But they may or  
18 may not be an appropriate benchmark for  
19 comparing the reasonableness of PG&E's  
20 embedded debt.

21 Q In fact, PG&E's cost of debt coming  
22 out of bankruptcy will be lower than Edison  
23 and San Diego's authorized cost of debt;  
24 correct?

25 A Well, you've estimated that, yes.  
26 So that is my understanding. No reason to  
27 dispute it. My dispute is whether or not  
28 you've considered all factors that support

1 your assertion that the bankruptcy has  
2 produced interest rate savings.

3 Q Were you here yesterday for Ms.  
4 Meal's testimony?

5 A I was not.

6 Q Ms. Meal, I'll represent to you,  
7 testified that it would be highly speculative  
8 to try to construct a world in which PG&E had  
9 not declared bankruptcy. Do you agree?

10 A I think you could produce a  
11 reasonable proxy looking at what has occurred  
12 with other California utilities.

13 Q What has occurred with other  
14 California utilities but not their authorized  
15 cost of debt?

16 A Well, yeah. There's an apples and  
17 oranges comparison of that. Because the  
18 contractual terms and the time periods they  
19 went to the market to sell that may have  
20 produced embedded debt costs, which are  
21 unique to those specific factors. Which  
22 don't make them a reasonable comparison to  
23 what PG&E's embedded costs would have been  
24 had it not been constrained by its bankruptcy  
25 filing and significant erosion to its credit  
26 standing.

27 Q Yeah. But if PG&E had not declared  
28 bankruptcy, you said they couldn't have



1 renegotiated their existing debt?

2 A Right. But there are other --  
3 there are other debt issues or even new debt  
4 issues that may have been issued at more  
5 favorable interest rates that would result in  
6 a reduction of debt relative to that embedded  
7 debt structure they had in 2019.

8 Q May have been. So have you  
9 quantified that?

10 A I haven't. I attempted to get that  
11 kind of information from the company to see  
12 what debt issues might have been subject to  
13 refinancing from 2017 forward in the  
14 discovery request where I asked them to  
15 provide the list of embedded debt cost  
16 structure for the utility before and after  
17 bankruptcy. And the utility was not able to  
18 provide that.

19 That would have told me whether or  
20 not there were certain issues, bond issues,  
21 or note issues for the company that may have  
22 been subject to maturing or refinancing  
23 during 2018 and 2019. Which may have  
24 resulted in a reduction in the embedding of  
25 that cost structure if there were not  
26 constraints caused by the bankruptcy filing.

27 Q Caused by the bankruptcy filing.  
28 Okay. Let's talk about that for a minute.

1           So if PG&E had issued new debt in  
2     January 2019 before it filed for bankruptcy,  
3     those would have reflected its sub-investment  
4     grade credit rating at the time; right?

5           A     Well, PG&E's bond rating eroded  
6     significantly before it actually filed for  
7     bankruptcy. So I would say that probably  
8     through most of 2018, its bond rating was  
9     downgraded before Southern Cal or San  
10    Diego's.

11           Its dividend was suspended at the  
12    beginning of the year because they were  
13    signalling to the market of significant  
14    liability exposure associated with wildfire  
15    damage claims. So there's many factors which  
16    was providing clear signals to the market  
17    that the wildfire damage claims against the  
18    utility were causing financial stress. Those  
19    distresses did not exist at the other  
20    utilities. So --

21           MR. WEISSMANN: Move to strike, your  
22    Honor, as nonresponsive. I asked a very  
23    simple question, and he's off on a different  
24    topic.

25           MR. ALCANTAR: No. That is directly  
26    responsive.

27           MR. WEISSMANN: No. My question was --

28           ALJ ALLEN: Okay. Stop.

1           Let's go ahead. Ask another  
2 question, and allow the witness to answer the  
3 question. I actually thought there was some  
4 interesting material in the answer.

5           But I'll allow you to proceed.  
6 Please ask another question.

7 BY MR. WEISSMANN:

8           Q Had PG&E issued new debt in  
9 January '19 -- withdrawn.

10           In January '19 before PG&E filed  
11 for bankruptcy, its credit rating was  
12 sub-investment grade; correct?

13           A It fell below investment grade  
14 based on my notes around January 7th of 2019.

15           Q And had PG&E issued debt at that  
16 time, the cost of that debt would have  
17 reflected that credit rating; correct?

18           A It would have. And the bottom  
19 grading reflected any significant liability  
20 obligations of the utility, which ultimately  
21 lead to the bankruptcy filing.

22           Q In your opinion, would the interest  
23 rate on such debt issued in January 2019 have  
24 been lower than interest rate on the debtor  
25 in possession financing?

26           A I don't know. I presume it would  
27 be reasonably comparable. The debtor in  
28 possession financing and senior loan rate,

1 which may have given it a more favorable  
2 interest rate than what PG&E could have  
3 issued on a non-secured basis at that time.

4 But, again, the interest rate was  
5 caused by the factors leading up to the  
6 degrading of its bond rating.

7 Q Okay. Turning back to your  
8 testimony, page 21. So starting on line 8,  
9 you refer to a variety of factors that could  
10 lead to increased costs; correct?

11 A Yes, that's correct.

12 Q And has PG&E proposed to increase  
13 customer rates to reflect any of the items  
14 you mentioned?

15 A No. They have not. The cost of  
16 capital is based on the information that was  
17 available prior to the utility filing their  
18 restructuring plan.

19 Q In fact, the only change in  
20 customer rates coming out of the Plan of  
21 Reorganization that PG&E has proposed is to  
22 update the cost of capital; right?

23 A I need to review that. But I  
24 believe I -- certainly they did ask to adjust  
25 their cost of capital, yes.

26 Q Okay. Sticking on page 22,  
27 starting on line 6.

28 A I'm there.

1           Q    You refer to collateral posting,  
2           and you refer to the interest rate of 4.75  
3           percent?

4           A    Yes.

5           Q    So is it your contention that  
6           PG&E's post bankruptcy interest rate and  
7           collateral postings would be 4.75 percent?

8           A    It's my best estimate. That's what  
9           you estimate your cost of debt to be that  
10          that's on. And what I was looking for was a  
11          proxy for essentially making deposits for  
12          commodity purchases.

13               And the interest rate would relate  
14          to whatever that cost of deposit would be.  
15          And I estimated it to 4.75 percent because  
16          that was one estimate you made of what your  
17          cost of debt would be in one of your debt  
18          interest rate savings calculations.

19          Q    Sorry. Is the average interest  
20          rate under the note holder RSA on the high  
21          coupon prepetition debt exchange rate?

22          A    It is, yes.

23          Q    So do you have an understanding of  
24          how short term debt costs are recovered in  
25          rates?

26          A    Depends on what the purpose of the  
27          short-term debt is. Typically short-term  
28          debt is used to finance construction work in

1 progress. And those short-term debt interest  
2 rates are capitalized along with plans in  
3 service.

4 If there is any cost -- use of  
5 short-term debt in providing direct service  
6 to customers, then they recover that interest  
7 cost in line with the need for that borrowing  
8 instrument to provide service.

9 Q According to the actual cost? Or  
10 according to a prescribed interest rate  
11 established by the Commission based on the  
12 commercial rate?

13 A Well, the actual cost would be  
14 based on the prescribed interest rate in the  
15 company's borrowing facility. It should  
16 reflect what the company's actual cost is  
17 unless the Commission found that that cost  
18 was inappropriate for setting rates. In  
19 which case, it would be based on what the  
20 Commission found to be appropriate for  
21 setting rates.

22 Q So just to clarify, it's your  
23 understanding that California ratemaking that  
24 the actual cost of short-term debt is flowed  
25 through into rates as you describe?

26 A I think my description related to  
27 capitalized construction period, capital  
28 costs, and whether or not there was any use

1 in short-term borrowing estimates in  
2 providing retail service.

3 To the extent the utility relies  
4 predominantly on long-term capital monthly  
5 costs to fund working capital and plant  
6 investment, then short-term debt probably  
7 wouldn't be included in base rates. It would  
8 be included in construction work in progress  
9 as first point investments.

10 Q For capital projects. But I'm  
11 saying expense for like -- well, collateral  
12 postings?

13 A That would be part of the working  
14 capital requirements, which likely would be  
15 include in the ratebase.

16 Q Are you familiar with treasury  
17 operations?

18 A Of PG&E?

19 Q Yes. Or generally.

20 A I'm not sure what you mean by  
21 treasury operations. But I'm accustomed to  
22 measuring utility cost for including in  
23 developing in utility rates.

24 Q Are you familiar with the financing  
25 instruments used to satisfy collateral  
26 requirements?

27 A So there's various methods. One  
28 could be a prepayment in commodities, which

1 is what I was assuming in this example here.  
2 Others could be posting bonds. Others can be  
3 letter -- irrevocable letters of credits.

4 So there may be ways of supporting  
5 that collateralized -- that guarantee for  
6 payment that may raise different costs than  
7 what I've estimated. But for this purpose, I  
8 was assuming prepayment in commodities.

9 Q So for -- if a letter of credit  
10 were posted, what would be the cost?

11 A Typically be stated in the letter  
12 of credit what your revocable line of credit  
13 would be to the utility.

14 Q Much lower than this 4.75 percent;  
15 correct?

16 A Depends on the credit standing of  
17 the utility and the cost the bank demands for  
18 offering the irrevocable item credit. Could  
19 be lower.

20 Q So setting aside, in a world in  
21 which there had been no bankruptcy, PG&E  
22 would have required access to short-term debt  
23 facilities; correct?

24 A Yes.

25 Q And have you analyzed what PG&E's  
26 short-term debt needs would have been in that  
27 world?

28 A I have not.



1           Q    So do you have an opinion about --  
2    withdrawn.

3                   In 2018 PG&E asked for an increase  
4    in its short-term debt authorization to  
5    \$6 billion; correct?

6           A    That is correct, yes. I know they  
7    asked for change. I believe it was \$6  
8    billion.

9           Q    That was before the bankruptcy;  
10   correct?

11          A    I believe that's correct.

12          Q    Okay turn to -- I guess we still  
13   are -- page 21 of your testimony, please.

14          A    Okay.

15          Q    So here you assert that PG&E's  
16   financial position post emergence should be  
17   compared to PG&E's financial position in  
18   2017; correct?

19          A    Well, I looked at the difference in  
20   bond rating from the end of 2017 down to what  
21   they've estimated the bond rating would be  
22   post emergence. I'm estimating that change  
23   in bond rating.

24                   You'll note that the A minus bond  
25   rating was an unsecured bond rating. And the  
26   Baa2 is a secured bond rating.

27          Q    Right. So are you saying that the  
28   relevant comparison baseline should be A

1 minus?

2 A Well, that is the actual change in  
3 bond rating from secured down to secured.  
4 And I think it's probably pretty good. I'll  
5 continue to review this throughout this  
6 hearing and in consideration of the other  
7 California utilities' bond ratings.

8 I think the other California  
9 utilities' bond ratings were decreased in  
10 2019 in result of the wildfire damage claims  
11 and the inverse condemnation risk.

12 I looked at Southern California  
13 Edison's bond rating. It decreased from  
14 around Triple B plus from S&P down to Triple  
15 B. That's an unsecured bond rating.

16 And I think the difference between  
17 unsecured and a secured bond rating is about  
18 a two-notch rating category. I believe Mr.  
19 Plaster of PG&E confirmed that.

20 So a Triple B for an unsecured bond  
21 rating at SCE would be equivalent to an A  
22 minus if it had a secured bond rating, which  
23 is essentially what PG&E's bond rating was at  
24 the end of 2019.

25 So there's some of the initial  
26 assessments I've made in changing credit  
27 standing and potential increase in borrowing  
28 costs of PG&E as a result of its financial

1 distress caused by its bankruptcy filing in  
2 protecting its -- against its wildfire damage  
3 claims.

4 Q Let me just clarify. Edison was a  
5 Triple B plus, then went down to Triple B;  
6 correct?

7 A Correct. That's an unsecured bond  
8 rating.

9 Q PG&E was at A minus; correct?

10 A Yes.

11 Q So you're saying PG&E should stay  
12 at A minus as the baseline even though Edison  
13 was decreased to Triple B?

14 A I thought you were asking me would  
15 the proxy of a A minus bond rating from PG&E  
16 not filing for bankruptcy, is that  
17 reasonable?

18 Q Yes.

19 A And I was walking through the logic  
20 under why I think it's a reasonable starting  
21 point. If -- without bankruptcy if Southern  
22 Cal Edison had gone from Triple B plus to  
23 Triple B on an unsecured bond rating, and if  
24 the secured bond rating was two notches  
25 stronger than Triple B, that would put it at  
26 about A minus, which is what PG&E's bond  
27 rating was at the end of 2017.

28 Q For unsecured?

1           A     For unsecured. So if the spread  
2     for a secured bond rating post emergency is  
3     minimum investment grade of Triple B minus  
4     versus A minus, that might be available to it  
5     on a secured basis. Had it not filed for  
6     bankruptcy, then it would be about a full  
7     notch downgrade in its credit standing.

8           Q     Right. If you're using Edison as a  
9     benchmark, my point is -- withdrawn.

10           Just as a matter of history, PG&E's  
11     credit ratings began dropping in early 2018;  
12     correct?

13           A     They did. I think the first  
14     downgrade was in February 2018.

15           Q     By July of 2018, PG&E was at a low  
16     investment grade?

17           A     I have at June 13th, it was  
18     downgraded to Triple B by S&P. Baa by  
19     Moody's.

20           Q     And --

21           A     Its minimum investment grade came  
22     in November 2018.

23           Q     Thank you. And so these downgrades  
24     obviously -- and we already established it  
25     was below investment grade in January 2019;  
26     right?

27           A     January 7th is when I noted that it  
28     was downgraded to below investment grade by

1 both S&P and Moody's.

2 Q So these occurred before PG&E filed  
3 for Chapter 11 on January 29, 2019; correct?

4 A They did. You know, but they were  
5 all leading up to the understanding of the  
6 financial distress the company was under as a  
7 result of 2017 and 2018 wildfire damage  
8 claims.

9 Q Why are you proposing to use PG&E's  
10 2017 rating as opposed to the national  
11 average for investor-owned utilities?

12 A Well, the objective here is to  
13 attempt to gauge what the additional interest  
14 expense will be as a result of the financial  
15 erosion of PG&E and reduction of its credit  
16 rating caused by, you know, the events that  
17 lead it ultimately to file for bankruptcy.

18 The California regulatory  
19 mechanisms are important considerations in  
20 assigning bond ratings. PG&E's service  
21 territory, economic strength of its service  
22 territory is relevant. The California  
23 regulatory mechanisms also apply to other  
24 California utilities.

25 So I think the question is more  
26 limited to what the credit rating would be  
27 for the larger electric and gas utility  
28 inside California that did not suffer the

1 same financial distress that PG&E did that  
2 ultimately caused it to file for bankruptcy.

3 So in making that assessment, I  
4 think a general guideline -- I haven't  
5 completed the analysis -- but a general  
6 guideline is the financial distress caused by  
7 the wildfire damage claims and the filing for  
8 bankruptcy probably had the effect of  
9 reducing the credit rating by a full credit  
10 rating.

11 Q In your opinion, had the 2017  
12 wildfires occurred but the Camp Fire had not  
13 occurred, would PG&E have filed for  
14 bankruptcy?

15 A I can't speak to specific events.  
16 What I really looked at was market responses  
17 to the financial distress PG&E was under.  
18 You suspended your dividend at the beginning  
19 of 2018. Your credit rating suffered  
20 significant downgrades in advance of other  
21 California electric utilities companies. So  
22 that was more my focus than trying to look at  
23 the actual events that helped contribute to  
24 the significant financial distress for PG&E  
25 throughout that time period.

26 Q And among those events included  
27 inverse condemnation; right? ]

28 A That was a risk that California

1 utilities have faced for quite some time. I  
2 think it was highlighted with a disallowance  
3 for San Diego Gas & Electric Company.

4 Q When did that happen? Remind me.

5 A San Diego Gas & Electric  
6 disallowance, you know, I'd have to double  
7 check that, but I believe it was maybe five  
8 years ago or 2005.

9 MR. WEISSMANN: Off the record just a  
10 second, your Honor.

11 ALJ ALLEN: Off the record.

12 (Off the record.)

13 ALJ ALLEN: On the record.

14 BY MR. WEISSMANN:

15 Q And among the other events was the  
16 increased risk of wildfires in PG&E's service  
17 territory; correct?

18 A Well, the risk of wildfire damage  
19 in PG&E service territory and whether or not  
20 the company was doing everything it could to  
21 avoid in containing the risk of those, that  
22 natural event.

23 Q Let's take a look at what's  
24 previously marked for identification as  
25 PG&E-X-03. It's Tab 9 in your binder.

26 A I'm there.

27 Q This is a Moody's report on Edison  
28 dated April 11, 2018; correct?

1           A    That's correct.

2           Q    And it reflects negative outlook  
3 for Edison; right?

4           A    It does.

5           Q    Reflecting or referring to strict  
6 liability; right?

7           A    "A large contingent exposure  
8 created by application is strict liability  
9 standard in California." That's right.

10          Q    Wildfire risk?

11          A    "In case of wildfires where utility  
12 equipment was determined to be the source of  
13 the fire."

14          Q    The tax law changes?

15          A    Yeah, tax law change did weaken the  
16 utility's cash flows, not necessarily to the  
17 point where it increased risk, but they did  
18 produce a reduction in cash flows.

19          Q    So none of these factors is  
20 specific to PG&E's bankruptcy; right?

21          A    PG&E faced some of the same risk  
22 associated with both wildfire exposures and  
23 change in the federal tax law. That's true  
24 and those were not related to the bankruptcy  
25 trial.

26          Q    By the way, San Diego Gas &  
27 Electric's credit ratings have also declined  
28 since 2017; right?



1           A    They have.

2           Q    And that's obviously not due to the  
3 Chapter 11 filing; right?

4           A    Again, their credit rating was  
5 downgraded by about two notches on an  
6 unsecured basis. Their BBB+, I believe, by  
7 S&P for electric operations, one notch  
8 stronger than Southern Cal Ed.

9           Q    So PG&E would have been subject to  
10 similar changes in its ratings regardless of  
11 bankruptcy; right? It would have been  
12 subject to the same forces that were  
13 affecting Edison and San Diego?

14          A    Well, I mean it's hard to say  
15 definitively. I think one thing that kind of  
16 put a magnifying glass on the state was  
17 PG&E's significant exposure to wildfire  
18 damage claims that highlighted the interest  
19 in the markets of what those risks are and  
20 what the potential exposure would be to the  
21 utilities.

22                   So if the wildfire events had not  
23 occurred and the wildfire damage claims had  
24 not been made, then there may not have been  
25 downgrades in electric utility companies  
26 generally in California in that year. So had  
27 those wildfire events not occurred, then I  
28 can't say what would have happened to all the

1     utilities' bond ratings in California.

2             But presumably if that risk would  
3     have been noted by the investment community  
4     and PG&E's exposure would have been less to  
5     the extent it wasn't seeking bankruptcy  
6     protection, its bond ratings probably would  
7     have been downgraded along with San Diego Gas  
8     & Electric and Southern Cal Edison.

9             Q     Okay. And in the future, Edison  
10     and San Diego's bond ratings may fluctuate  
11     for circumstances unique to them; correct?

12            A     Yes.

13            Q     So how is the Commission to isolate  
14     any effects in the future attributable to the  
15     Chapter 11 filing as opposed to other  
16     factors?

17            A     I think the Commission should focus  
18     on ensuring that costs that are imprudent or  
19     unreasonable should not be included in the  
20     development of the prospective rates. So I  
21     would encourage the Commission to focus on  
22     whether or not the utility is seeking to  
23     recover only prudent and reasonable cost in  
24     setting rates.

25            Q     But in determining the cost of  
26     capital, the cost of debt, you're suggesting  
27     that the Commission compare the actual cost  
28     of debt to cost of debt had the bankruptcy

1 and associated events not occurred; correct?

2           A    At this point I'm disputing the  
3 company's finding that there are interest  
4 rate savings coming out of bankruptcy. I  
5 don't believe the company has actually  
6 measured what its total impact on interest  
7 expense will be or in terms of setting rates  
8 prospectively, I imagine that -- I haven't  
9 reviewed this yet and I haven't discussed it  
10 with either TURN or EPUC or IS on what the  
11 appropriate method might be for establishing  
12 the cost of utility debt would be appropriate  
13 for including in the overall rate of return.  
14 I will be making that investigation.

15               But I can say at this point that I  
16 will object and recommend disallowance of any  
17 debt interest costs which are the result of  
18 imprudent actions of the utility or costs  
19 that are unreasonable.

20           Q    And to make that determination and  
21 what debt interest costs are attributable to  
22 unreasonable or imprudency, you would  
23 compare -- your recommendation as to the  
24 Commission -- compare the actual interest  
25 costs to some benchmark; correct?

26           A    I would look at changes in the  
27 company's embedded cost to debt and identify  
28 whether or not there are certain issues that

1     were at higher interest rates than maybe they  
2     would have otherwise been, encourage the  
3     Commission to focus on those newly-refinanced  
4     debt issues to determine whether or not there  
5     are certain debt issue costs that are not  
6     appropriate for recovery from retail  
7     ratepayers.

8             Q     Right. I'm just trying to explore  
9     how this practically would work higher than  
10    they would otherwise have been. How is the  
11    Commission to determine what they would  
12    otherwise have been if it has not conducted a  
13    prudence review of the 2017/2018 fire costs?

14            A     Well, I haven't offered any  
15    testimony specifically adjusting the embedded  
16    cost to debt for the utility, but the focus  
17    would be on prudence and reasonableness of  
18    cost.

19                   That would include an assessment of  
20    whether or not the credit rating and the  
21    interest cost -- the credit rating at the  
22    time of issue and the interest rate on the  
23    security that is issued at that time were  
24    negatively impacted because of the company's  
25    bankruptcy filing or any other factor that  
26    would result in part of the cost being  
27    imprudent or unreasonable.

28            Q     Right. And so to make that

1 determination, the Commission would have to  
2 compare the actual costs to some hypothetical  
3 alternative.

4 A Well --

5 Q Let me finish my question, please.  
6 My question is in doing so, are you  
7 envisioning that the Commission would look to  
8 Edison and San Diego's cost of debt?

9 A Well, I haven't taken a position  
10 yet, but those would be factors I would  
11 consider in attempting to estimate what costs  
12 would be more reasonable had they not been  
13 attributable to the reduction of bond rating  
14 caused by the bankruptcy filing.

15 Q But in the future, Edison and  
16 San Diego's costs could be affected by lots  
17 of other factors?

18 A But I wouldn't be looking at their  
19 embedded debt costs. I would be looking at  
20 the cost of debt that was issued in, say, a  
21 specific month of the year.

22 Q Right.

23 A What the market interest rate is on  
24 debt at that specific time and assess whether  
25 or not the utility's actual cost of debt is  
26 above or below markets. If it's above  
27 markets and it's attributable to a weakened  
28 credit standing, then those costs associated

1 with that weakened credit standing may not be  
2 appropriate for recovery for retail  
3 customers.

4 Q Okay. Let's say that PG&E in the  
5 future issues debt at a lower cost than an  
6 incremental new issuance of debt by San Diego  
7 Gas & Electric. Do you have that assumption  
8 in mind?

9 A I wouldn't make that comparison,  
10 but I'll accept that hypothetical.

11 Q Okay. Why wouldn't you make that  
12 comparison?

13 A There could be other factors.  
14 The --

15 Q Right.

16 A -- term of the bond could impact  
17 the interest rate. I mean, the regulatory  
18 mechanisms approved by the Commission for  
19 some specific investment may be different for  
20 San Diego than it would be for PG&E.

21 I think the relevant factor is what  
22 would the cost of the new bond issue be for  
23 PG&E at its actual bond rating from relative  
24 to what it might -- the bond rate that might  
25 have existed had it not lost its bond rating  
26 due to its bankruptcy.

27 Q Right. And what I'm driving at is  
28 how could the Commission possibly ever

1     determine what that PG&E interest cost would  
2     have been?

3             A     I think it would have to look at  
4     average bond yields, the comparable bond  
5     ratings at the time the bond was sold.

6             Q     By a company like Edison or San  
7     Diego?

8             A     It would be just general market  
9     interest rates on bond at that rating  
10    category. It would --

11            Q     Okay, and that --

12            A     -- include any utility company with  
13    the same bond rating.

14            Q     Sorry, I thought we were saying --  
15    didn't you say before that what's relevant is  
16    Edison and San Diego?

17            A     In establishing what the bond  
18    rating target would be, that may be one  
19    factor I would rely on to establish what that  
20    target is.

21            Q     Okay.

22            A     But then the question would be is  
23    what's the actual bond rating relative to  
24    that target and what's the difference in  
25    interest cost.

26            Q     Okay. But how do we know what the  
27    bond rating would have been?

28            ALJ ALLEN: Mr. Weissmann, I have a

1 feeling that this question --

2 MR. WEISSMANN: Okay. I'll move on.

3 ALJ ALLEN: -- has been asked.

4 BY MR. WEISSMANN:

5 Q In determining credit ratings,  
6 rating agencies look at quantitative metrics;  
7 correct?

8 A They do.

9 Q Such as funds from operation to  
10 debt and debt to EBITDA?

11 A Correct.

12 Q Have you reviewed those  
13 quantitative metrics for PG&E at exit?

14 A PG&E provided financial projections  
15 right before I filed my testimony, so I was  
16 not able to review their financial  
17 projections and include the comment in my  
18 testimony. But since I filed my testimony,  
19 I've looked at their financial projections  
20 and their resulting credit metric outlook of  
21 the utility.

22 Q Right. Both at exit and over a  
23 five-year forecast period; correct?

24 A Right. I believe in 2020 up to  
25 2024 were the financial projections I  
26 primarily focused on.

27 Q Are those quantitative metrics  
28 comparable to Edison's?



1           A    I have not made that comparison.

2           Q    Are those quantitative metrics  
3 similar to those PG&E had in 2017?

4           A    I didn't make those comparisons.

5           Q    Are those quantitative metrics in  
6 line with the quantitative metrics of other  
7 investor-owned utilities with  
8 investment-grade issuer ratings?

9           A    I didn't make that comparison  
10 either. Both S&P and Moody's published  
11 credit rating target ranges that support  
12 various bond ratings given the business risk,  
13 financial risk outlooks of the utilities. I  
14 did look at the projected financial metrics  
15 in comparison to those target ranges.

16          Q    Okay. And the reason that PG&E  
17 would have a subinvestment-grade issuer  
18 rating is because of the rating agency's  
19 evaluation of the business risk; correct?

20          A    Well, business risk and financial  
21 risk of the company. I mean there is  
22 significant debt at this company that is not  
23 used to support investments that produce cash  
24 flow. So I think that will certainly be a  
25 factor to the credit rating agencies when  
26 reviewing the adequacy of the credit metrics  
27 going forward.

28          Q    If S&P rated the business risk as

1 strong, would those credit metrics support an  
2 investment-grade credit rating?

3 A Well, there --

4 Q To issuer?

5 A Well, the greater the business  
6 risk, then the higher the financial threshold  
7 is supported bond rating. So, the S&P feel  
8 previously PG&E had an excellent business  
9 profile score, a strong financial profile  
10 score, so the range of credit metrics that  
11 would support an investment grade BBB or a  
12 single A bond rating would depend on S&P's  
13 financial and business risk outlook for the  
14 utility.

15 Moody's is similar, but they don't  
16 have a specific financial and business risk  
17 profile score. They do have various metric  
18 ranges, standard ranges, that correspond with  
19 credit ratings for utility companies with an  
20 assessment of what their business risk is.

21 For example, they go with standard  
22 range with most electric utility companies  
23 that have commodity cost recovery risk. For  
24 other utility companies that don't have  
25 commodity cost recovery risk, there might be  
26 a low volatility table they would look at for  
27 appropriate credit metric targets. So those  
28 are the factors I considered.

1           Q    Right. That wasn't my question so  
2   let me try again. If S&P rated the business  
3   risk for PG&E as strong, strong, would the  
4   credit metrics support an investment-grade  
5   credit rating at the issuer level?

6           A    I'd have to make that  
7   determination. I did review them with an  
8   excellent business position ranking. That's  
9   what S&P rated PG&E around the end of 2017,  
10   beginning of 2018. If their business risk  
11   assessment changes, then the target metric  
12   would change as well.

13          Q    So the answer to my question is you  
14   don't know?

15          A    I haven't looked at it with that  
16   business risk position ranking so at this  
17   point I do not know.

18          Q    Okay. So the business risk ranking  
19   for PG&E is based on the rating agency's  
20   evaluation of the regulatory environment  
21   among other things; correct?

22          A    Yeah, but importantly also  
23   regulatory environment and management  
24   strength are major components that go into  
25   business risk ranking.

26          Q    Just focusing on the regulatory  
27   environment, the rating agencies will  
28   consider the predictability and timeliness of

1 Commission decisions; correct?

2 A They will on recovery approved and  
3 reasonable costs, which is a standard of  
4 ratemaking across the country.

5 ALJ ALLEN: Mr. Weissmann, let's do a  
6 time check here.

7 MR. WEISSMANN: Maybe another half  
8 hour.

9 ALJ ALLEN: So I'm thinking this might  
10 be a good time for a lunch recess. So let's  
11 be in recess until one o'clock by the clock  
12 on the wall.

13 (Whereupon, at the hour of 12:00  
14 p.m., a recess was taken until 1:00  
p.m.)

15 \* \* \* \* \* ]

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AFTERNOON SESSION - 1:03 P.M.

\* \* \* \* \*

ALJ ALLEN: Good afternoon. Back on the record. We are resuming the cross of Mr. Gorman by Mr. Weissmann.

MR. WEISSMANN: Thank you, your Honor.

MICHAEL GORMAN,  
resumed the stand and testified further as follows:

CROSS-EXAMINATION RESUMED

BY MR. WEISSMANN:

Q Mr. Gorman, were you a witness in the utility/cost of capital proceeding?

A Yes.

Q In that proceeding, did you recommend that the Commission adjust Edison's cost of debt to reflect what its credit rating would have been had there not been the Thomas and Woolsey fires?

A I didn't take a position on the company's cost of debt in the last rate case so I did not make that recommendation.

Q Is it your opinion is that the kind of exercise the Commission should do for Edison in the future?

A No. In my opinion, the adjustments, if I would make to cost of debt, would reflect eliminating costs that should

1 not be included in setting rates. That would  
2 include costs that are a result of imprudence  
3 or costs that are unreasonable.

4 Q So to determine what Edison's cost  
5 of debt is authorized in the future, must the  
6 Commission determine the prudence of Edison's  
7 activities relative to the Thomas and Woolsey  
8 fires?

9 A Well, I need to review what your  
10 imbedded cost to debt will be the next time  
11 I'm involved in a cost of capital proceeding  
12 for PG&E. And in doing that, if there's any  
13 specific bond issue where the cost of debt is  
14 unreasonable or reflects imprudent costs,  
15 then I would make an adjustment and explain  
16 what that adjustment is based on.

17 To the extent I was recommending an  
18 adjustment on either of those factors, then I  
19 would explain to the Commission why those  
20 factors were relevant in adopting my proposed  
21 adjustment.

22 Q So let's clarify my question. The  
23 question was not about PG&E. I'm just trying  
24 to understand your methodology so that the  
25 Commission can evaluate it. In a future cost  
26 of capital proceeding -- let me take a step  
27 back.

28 Your recommendation is for PG&E,

1 the Commission should compare the actual cost  
2 of debt to what it would have been absent a  
3 bankruptcy and fires that may have been  
4 caused by imprudence; right?

5 A We've gone back and forth on that  
6 several times. My recommendation would be  
7 that to the extent there are any amount of  
8 interest expense that was increased as a  
9 result of imprudence or unreasonable costs  
10 should not be included in cost of service for  
11 setting rates.

12 To the extent that the company's  
13 cost of debt reflects a higher cost  
14 associated with its bankruptcy filing or the  
15 wildfire damage costs, then in that  
16 proceeding, if I made such an adjustment, I  
17 would offer to the Commission and explain why  
18 I'm making it and show support for my  
19 adjustment.

20 Q My question is would you recommend  
21 that the Commission apply the same  
22 methodology to evaluate Edison's cost of  
23 debt?

24 A I think in every rate proceeding  
25 the Commission should only include prudent  
26 and reasonable cost in the development of the  
27 utility's revenue requirement in designing  
28 rates for retail customers.

1           So, to the extent any utility's  
2 costs include costs that are the result of  
3 imprudent management or costs that are  
4 unreasonable, I think they should be  
5 eliminated from the utility's revenue  
6 requirement.

7           Q   And specifically to the extent  
8 costs of debt are impacted by fire claims  
9 costs that may have resulted from imprudence,  
10 that should be an adjustment to the cost of  
11 debt, that's your position; right?

12          A   That very well may be an adjustment  
13 that I might propose in the future.

14          Q   Has this Commission ever in the  
15 past adjusted the utility's cost of debt  
16 based on the impact of imprudence on that  
17 cost of debt?

18          A   I haven't evaluated the  
19 Commission's adjustments to cost of debt  
20 incentive rates.

21          Q   So as far as you know, this would  
22 be an unprecedented approach for this  
23 Commission?

24          MR. ALCANTAR:  Objection as --

25          ALJ ALLEN:  Sustained, rephrase.

26          BY MR. WEISSMANN:

27          Q   Can you cite any precedent for the  
28 Commission to adjust the actual cost of debt



1 based on the impact of imprudence?

2 MR. ALCANTAR: Asked and answered.

3 ALJ ALLEN: Overruled.

4 THE WITNESS: I think the standard for  
5 setting a rate of return which balances the  
6 interest between investors and ratepayers is  
7 established by the Hope and Bluefield  
8 Supreme Court decisions. In that, the rate  
9 of return should reflect efficient and  
10 reasonable management of the utility and  
11 produce a rate of return that provides fair  
12 compensation and supports just and reasonable  
13 rates.

14 I think that would be the standard  
15 under which I would recommend any adjustments  
16 to the company's embedded debt costs in  
17 future rate cases.

18 Q I'll just move on.

19 ALJ ALLEN: Thank you.

20 MR. WEISSMANN: Thank you.

21 Q Do you have a recommendation for  
22 when this comparison that you suggest would  
23 end?

24 A Well, it would depend on the facts  
25 and circumstances in each of the companies'  
26 cost of capital proceedings, but I imagine it  
27 would end when there's no reason to believe  
28 or no one takes issue with whether or not

1     there's costs incumbent, including the  
2     company's cost of service, that should be  
3     excluded from cost of service on the basis of  
4     imprudence or unreasonableness.

5             Q     And how would we know?

6             A     You would read parties' testimony  
7     in reviewing the company's filing in  
8     establishing what is inappropriate to the  
9     revenue requirement for the utility.

10            Q     So that would be a litigated issue?

11            A     It would be a litigated issue. And  
12     to the extent there are recurring issues, the  
13     Commission will rule one way or another and I  
14     presume that in subsequent rate cases either  
15     the utility or the parties would accept that  
16     Commission finding.

17            Q     Do you have a recommendation for an  
18     outside date, defined end date for this  
19     comparison?

20            A     I think protecting customers is an  
21     ongoing obligation of the Commission's.  
22     Parties to the case, I think, will advocate  
23     on behalf of customers and the utility  
24     investors in all rate cases.

25            Q     You aren't proposing a specific  
26     method by which the Commission would conduct  
27     this comparison of actual financing costs to  
28     the hypothetical costs; correct?

1           A    Well, I haven't proposed an  
2   adjustment at this time, no, but I'm trying  
3   to be clear that to the extent the costs are  
4   based on imprudent management decisions or  
5   the costs are unreasonable, they should be  
6   excluded from setting rates.

7           Q    But you haven't proposed a specific  
8   method to implement that in your testimony  
9   here; right?

10          A    Not in this case, no.

11          Q    And would you envision a Commission  
12   decision in this cases establishing such a  
13   methodology?

14          A    I would hope the Commission would  
15   agree that to the extent parties can  
16   demonstrate any costs the company incurs as a  
17   result of imprudent management or  
18   unreasonable expense, that they would not be  
19   included in revenue requirement for setting  
20   retail customers' rates.

21          Q    And the Commission would implement  
22   that in the future?

23          A    I don't think it's a new standard,  
24   and I believe the Commission would implement  
25   that standard going forward as they have in  
26   the past.

27          Q    We disagree about whether it's a  
28   new standard, but let me ask you this: Will

1 investors and lenders be concerned about how  
2 this methodology will be implemented?

3 A I believe it is a standard that is  
4 used nationwide as far as I'm concerned. And  
5 as long as there's clear description of the  
6 utility's costs that is found to be either  
7 imprudent or unreasonable and excluded from  
8 recovery and the Commission acts in a  
9 predictable and consistent manner going  
10 forward, while the investment community may  
11 not like the adjustment, I think they'll  
12 understand the principles of setting rates  
13 and will act accordingly.

14 Q Are you saying nationwide every  
15 Commission in the country adjusts the actual  
16 recorded cost of debt based on a comparison  
17 to what that cost would have been had the  
18 utility not acted imprudently?

19 A You keep saying that, but I keep  
20 telling you that costs that are either the  
21 result of imprudent management decisions or  
22 costs that are unreasonable are excluded from  
23 being recovered by the utility.

24 ALJ ALLEN: Mr. Weissmann, I think I  
25 understand your line of questioning, trying  
26 to establish any questions, I believe I  
27 understand the witness' answers in not  
28 agreeing with your line of questioning.

1 Certainly parties are free to raise this in  
2 briefs. I don't think you're going to get  
3 much farther on this particular approach. If  
4 you have other areas you wish to do  
5 cross-examine on, please do.

6 MR. WEISSMANN: Thank you, your Honor.

7 Q Is the manner in which the  
8 Commission implements this comparison  
9 concept, does that create risks for investors  
10 and lenders?

11 A Well, risk for investors relate to  
12 both Commission practices and strength of  
13 management, so investment risk is a factor  
14 that investors will see. Disallowances of  
15 costs by the regulatory commissions may  
16 trigger responses from investors.

17 To the extent that investor  
18 response means they replace ineffective  
19 management with effective management, that  
20 investor's risk can be mitigated going  
21 forward, but it's part of the process.

22 Where the balance of interest is  
23 preserved and rates are just and reasonable,  
24 the utility is provided an opportunity to  
25 earn a fair rate of return on prudent and  
26 reasonable cost items, and I believe the  
27 ratemaking balance is achieved. I think  
28 that's a similar balance that every utility

1 is exposed to.

2 Q So let me clarify a question. I'm  
3 not talking about the risks of prudence  
4 generically. I'm talking about the way in  
5 which the Commission would implement your  
6 concept of comparing the actual cost of debt  
7 to this hypothetical alternative. Does that  
8 create risk?

9 A The way the Commission would  
10 implement it would approve an overall rate of  
11 return that is fair and reasonable, which  
12 means it provides fair compensation to the  
13 utility and supports just and reasonable  
14 rates. That would include a rate of return  
15 that does not allow the utility to recover  
16 the costs that we've been discussing that are  
17 imprudent or unreasonable.

18 Q We talked before about the debt  
19 cost savings that result from the note holder  
20 RSA; right?

21 A Yes.

22 Q And I think you agreed that those  
23 savings were realized because of the  
24 bankruptcy; right?

25 A For the ability to -- I haven't  
26 confirmed it, but the utility's  
27 representation is they could not have  
28 implemented an economic refinancing of those

1 securities absent the bankruptcy. So  
2 under -- if that is accurate then and the  
3 bankruptcy did produce savings for those,  
4 about \$6.2 billion or high coupon debt.

5 Q And so should PG&E recover the  
6 direct costs PG&E necessarily incurred in  
7 order to accomplish that outcome?

8 A PG&E should recover reasonable and  
9 prudent costs which would include the  
10 reasonable and prudent costs of those  
11 refinanced high coupon debt instruments.

12 Q Including the fees associated with  
13 that refinancing?

14 A To the extent the company can  
15 demonstrate that those savings were only  
16 gained as a result of costs, then if those  
17 costs were reasonable and prudent, then that  
18 may be appropriate for consideration.

19 Q Turn to page 25, line 10 of your  
20 testimony.

21 A I'm there.

22 Q And you're speaking here about a  
23 pay-down of the temporary utility debt?

24 A Yes.

25 Q To protect the utility's financial  
26 integrity; right?

27 A Correct.

28 Q And you understand that the

1 company's plan is to use the cash flow from  
2 the net operating losses to pay down the  
3 temporary utility debt if securitization is  
4 not approved?

5 A That is my understanding, yes, with  
6 the clear-stated intent that the cost of that  
7 debt will not be included in revenue  
8 requirement and that the debt service will be  
9 paid for through those tax savings.

10 Q Okay. And do you oppose that plan?

11 A I have not opposed that, but I have  
12 requested or recommended the Commission that  
13 they ask for some transparency to ensure that  
14 that intent is followed through and the  
15 financial integrity of the utility is  
16 restored as quickly as possible because this  
17 debt that is issued that is not used to  
18 invest in utility plant and equipment  
19 increases the overall leverage of the  
20 utility, it erodes the company's credit  
21 metrics. The faster that debt is paid off,  
22 the faster those credit metrics will recover.

23 Q Right. So, paying on the debt  
24 reduces leverage; right?

25 A Yes.

26 Q And that's a beneficial outcome?

27 A It is a beneficial outcome to both  
28 ratepayers and investors.



1           Q    Right. Okay. So, regardless of  
2    securitization, PG&E will use the net  
3    operating losses to pay down the temporary  
4    utility debts, so those net operating losses  
5    are an asset of the company; correct?

6           A    Yeah, they will use them to reduce  
7    the amount of income tax they will ultimately  
8    pay to government tax authorities, yes.

9           Q    So it's a shareholder asset?

10          A    The shareholders incurred the loss,  
11   the write-off, and they are entitled to the  
12   full benefit of the taxes except for their  
13   obligation to pay off this temporary utility  
14   debt.

15          Q    Right. So just from an economic  
16   point of view, we look at PG&E, these net  
17   operating losses are not on the balance  
18   sheet; correct?

19          A    Well, I will confirm that they're  
20   recording at the corp level, but I'll accept  
21   that subject to check.

22          Q    But they do have economic value;  
23   correct?

24          A    The NOL asset?

25          Q    Yes.

26          A    Yes.

27          Q    Okay. And lenders would recognize  
28   it as such; correct?

1           A     It will strengthen the utility's  
2 cash flows over time, yes.

3           Q     Okay. Please take a look at  
4 page 25 of your testimony.

5           A     I'm there.

6           Q     Here we're onto my favorite topic  
7 of capital structure. Okay. I understand  
8 here that you agree with the company about  
9 the principle that the purpose of ratemaking  
10 capital structure is to accurately reflect  
11 the proportion of equity and debt used to  
12 finance rate base; correct?

13          A     I think it's more complicated than  
14 that, but I think the company's intent in  
15 their filing and the restructuring plan is  
16 that the ratemaking capital structure will  
17 reflect the capital used to support  
18 investment utility plant and equipment, and  
19 that temporary debt would be -- I didn't  
20 specifically say this -- but their  
21 projections indicate that they're going to  
22 pay it off as quickly as possible.

23                 In this case I believe that's a  
24 reasonable objective. The reason I want to  
25 limit it to this case is because there can be  
26 other cases where the utility is owned by a  
27 parent company that uses what's generally  
28 referred to as a double leverage kind of

1 standard. The parent company issues a lot of  
2 debt to make equity infusions in the utility,  
3 fattens up the utility's equity ratio, but  
4 the current ratings still of the utility  
5 company do not reflect that mix of debt and  
6 equity in the cap structure, so it can be  
7 more complicated. So, this testimony  
8 reflects what PG&E's restructured plan  
9 suggests in this case.

10 Q Okay. For purposes of this case,  
11 you would agree that the ratemaking capital  
12 structure should reflect the proportion of  
13 equity and debt used to finance PG&E's rate  
14 base?

15 A I think it should and I think that  
16 commitment by the company should be part of  
17 the conditions under which their  
18 restructuring plan is adopted with  
19 commitments and the intent is verifiable that  
20 the debt-supporting investments other than  
21 rate-base investment will be paid off as  
22 quickly as possible.

23 Q Right. Okay. Now I'd like to  
24 direct your attention to page 25, line 19  
25 through page 26, line two.

26 A I'm there.

27 Q Here you're referring to the  
28 issuance 6.75 billion of stock that will be

1     paid to the fire victim trust; correct?

2             A     Yes.

3             Q     And this is the only area that you  
4     indicate a potential disagreement with the  
5     company's proposal for adjustment of the  
6     capital structure; right?

7             A     I don't know if it's a disagreement  
8     or a need for clarification by the company's  
9     filing.

10            Q     Okay. But that's the only one;  
11     right?

12            A     Well, there was two aspects of the  
13     common equity bill as to the ratemaking  
14     capital structure. The first one is if they  
15     do use equity capital to make contributions  
16     to the trust, then that would be capital that  
17     would be used to support rate-based  
18     investments.

19                   The second one is reversing  
20     write-offs per contributions to the trust who  
21     are paying for wildfire damage claims and  
22     measuring the amount of equity that was -- if  
23     those are non-cash write-offs, measuring the  
24     amount of equity that was actually used to  
25     invest in the utility plant and equipment.

26                   With respect to the \$6.75 billion,  
27     it does appear to be equity issues at parent  
28     company level. It may or may not have

1     implications at the capital utility level,  
2     but to the extent it does, then that should  
3     be considered in forming the appropriate  
4     utility ratemaking cap structure.

5             With respect to the write-offs of  
6     contributions in the trust or wildfire victim  
7     funds, to the extent it's non-cash write-off  
8     and it's funded by other vehicles such as the  
9     temporary utility debt, if the utility  
10    follows through with paying off that debt as  
11    quickly as possible, then I wouldn't oppose  
12    reversing those write-offs.

13            But there's a verifiable commitment  
14    by the utility to write -- to pay off that  
15    temporary debt as quickly as possible and to  
16    retain equity in the utility company to kind  
17    of build it back up to replenish the amount  
18    of common equity actually available to invest  
19    in utility plant and equipment.

20           Q     I think we're in agreement, but  
21    that was kind of a long answer so let me try  
22    to break it down and make sure I understand.  
23    So let's start with the 6.75 billion of  
24    stock. As you say, that's issued by the  
25    parent company; correct?

26           A     It was noted as a parent -- it's  
27    issue of public stock, so it would be the  
28    parent company, yes.

1           Q    Right.  And it's paid directly to  
2   the fire victim trust; correct?

3           A    Correct.

4           Q    So it's never going down into the  
5   utility; right?

6           A    Well, the parent company makes  
7   equity or capital contributions to the  
8   utility so I wouldn't think it would somehow  
9   work its way into those contributions, but I  
10   haven't really looked at that in detail.

11          Q    Would or would not?  I didn't hear  
12   you.

13          A    I would think it would not impact  
14   equity --

15          Q    Okay.

16          A    -- capital contributions from  
17   parent of the utility, but I haven't had the  
18   time to really review what those capital  
19   contributions between the parent company and  
20   the utility company will be.

21          Q    Okay.  So let's just assume for  
22   purposes of my question that the stock is  
23   paid directly from the parent to the trust,  
24   never goes through the utility.  Do you have  
25   that assumption in mind?

26          A    I do.

27          Q    So then the consequence of that  
28   payment is that the liability on the

1 utility's balance sheet associated with the  
2 claims would be extinguished; correct?

3 A I haven't confirmed that, but I  
4 would presume it would be.

5 Q Actually let me take a step back.  
6 PG&E has taken non-cash charges associated  
7 with the fire claims; correct?

8 A I haven't reviewed all the  
9 accounting of it, yes, but it's my  
10 understanding that those are some of the  
11 transactions that will be recorded.

12 Q Or have been?

13 A I haven't confirmed that.

14 Q When PG&E takes a charge, a  
15 non-cash charge, that creates a liability on  
16 the balance sheet; right?

17 A It does.

18 Q Okay. And the charm, again, is  
19 associated with the contingent obligation to  
20 pay claims; correct?

21 A Can we go back. I mean, if they  
22 record a charge and it hasn't yet been paid?

23 Q Right.

24 A I mean, they can -- it would record  
25 it against common equity on the liability  
26 side.

27 Q Right.

28 A Common equity would decrease and

1 the assets really wouldn't change.

2 Q Precisely.

3 A The cash is still on the utility's  
4 balance sheet.

5 Q That's what we mean by a non-cash  
6 charge; right?

7 A Yeah, but I didn't agree  
8 specifically with a recording of a liability  
9 as you described. That's what I was trying  
10 to make sure I was on the same page with you  
11 on.

12 Q So the charge -- this non-cash  
13 charge associated with the contingent  
14 obligation to pay the claims reduces common  
15 equity; correct?

16 A Through recording of the operating  
17 income statement, reduce retained earnings,  
18 yes.

19 Q Yes. Okay. And then once the  
20 claims are paid as part of the plan, that  
21 extinguishes the charge; correct?

22 A Well, it would, yes.

23 Q Yes. So, therefore, the equity is  
24 restored to where it was before the charges  
25 were taken; right?

26 A Well, cash would go down on the  
27 utility's balance sheet so the asset side  
28 would be impacted by the payment of the



1 claim. The liability side would also have to  
2 be adjusted to reflect the shrinking of the  
3 assets.

4 Q Depends who pays the claims. If  
5 the parent pays the claim, that's not the  
6 case?

7 A And depending on whether or not the  
8 utility -- I haven't looked at the accounting  
9 for this.

10 Q Okay.

11 A So, I mean, there is a possibility  
12 that the common equity could be restored in  
13 the manner you're describing, but I have not  
14 verified that based on the company's  
15 accounting records.

16 Q Okay. So let me make it clear.  
17 Except for the \$6 billion of temporary  
18 utility debt, which is being taken out at the  
19 utility level, you agree that that amount  
20 should be removed from the ratemaking capital  
21 structure assuming that there's a plan to pay  
22 it down properly; correct?

23 A If there's a verifiable plan to pay  
24 it off on an accelerated basis, yes.

25 Q Okay. Are you recommending that  
26 the Commission not approve PG&E's plan?

27 A I'm recommending that the company's  
28 plan should be modified with certain

1 contingent adjustments.

2 That's as much as I've recommended;  
3 that certain aspects of the plan need to have  
4 certain commitments from the utility,  
5 including verifiable objectives with metrics  
6 to measure the utility's actual efforts to  
7 actually achieve the financial measurements  
8 in their plan and ensure that rates are just  
9 and reasonable; that costs that shouldn't be  
10 paid by customers aren't paid by customers;  
11 and that if the Commission that does approve  
12 the plans for certain commitments, further  
13 commitments, the utility should make in  
14 receiving that approval.

15 Q Subject to those recommendations  
16 for additional conditions, are you  
17 recommending that the Commission find that  
18 the plan complies with AB-1054?

19 A I don't know if I've gone that far.  
20 I think that will be a position that will be  
21 advocated by TURN and EPUC and IS. My  
22 testimony simply outlines improvements to the  
23 plan necessary to ensure that customers are  
24 protected under the plan.

25 Q Thank you.

26 That's all I have, your Honor.

27 ALJ ALLEN: Thank you, Mr. Weissmann.

28 Mr. Bloom.

1 MR. BLOOM: Thank you, your Honor.

2 CROSS-EXAMINATION

3 BY MR. BLOOM:

4 Q Mr. Gorman, I'm Jerry Bloom, and  
5 I'm here on behalf of the Tort Claimants  
6 Committee.

7 A Good afternoon.

8 Q On page two of your testimony, you  
9 state that:

10 The need to focus on the  
11 conditions that may exist  
12 at the moment PG&E emerges  
13 from bankruptcy but also  
14 will need to take actions  
15 to sustain, oversee, audit,  
16 and support the ongoing  
17 interests of ratepayers.

18 Is that correct?

19 A It is.

20 Q And this place actually is just the  
21 last line of questions that you were just  
22 discussing with Mr. Weissmann.

23 We have before us two different  
24 time periods. There's, if you will, a  
25 snapshot that I discussed as well with  
26 Mr. Beach this morning where the Commission  
27 needs to make a determination in order to  
28 reach the goals of 1054 to have the company

1 emerge from bankruptcy by the summer and get  
2 into the wildfire insurance claim and so  
3 forth. There's necessarily a snapshot that  
4 has to be taken as to the conditions and  
5 what's been presented in the plan at this  
6 point; is that correct?

7 A Generally I agree.

8 Q Okay. And over the longer term,  
9 then we'll be looking at -- and this is what  
10 you recalled on as you just said in your last  
11 answer -- a number of metrics and other  
12 things that may, as the plan develops, as the  
13 restructuring plan gets introduced, developed  
14 and introduced at the Commission, the cost of  
15 capital proceeding, things we've been talking  
16 about today, as those things happen, there  
17 may be adjustments or things that need to be  
18 made post-approval of the plan and emergence  
19 from bankruptcy?

20 A Yes, there needs to be part of the  
21 plan that achieves certain performance by the  
22 utility including strengthening its financial  
23 position and insuring the customer and doing  
24 so without asking questions to pay costs that  
25 they shouldn't be asked to pay.

26 Q You also state in your testimony  
27 that the interest that you alluded to, the  
28 ongoing interest to ratepayers includes

1 statutory protections for ratepayers; is that  
2 correct?

3 A Yes.

4 Q In your testimony, you appear to  
5 focus heavily on the rates themselves, which  
6 is certainly of interest to ratepayers.  
7 Would you agree that reliability and safety  
8 are also of interest to ratepayers?

9 A Absolutely. You know, when I focus  
10 on rates, I'm talking about service, quality,  
11 and reliability as well as safety to  
12 employees and the public.

13 Q And would you agree that the fire  
14 victims are also similarly situated  
15 ratepayers with interest not only in rates,  
16 but also and particularly in reliability and  
17 safety?

18 A I can't speak for them, but I would  
19 presume that that's an accurate statement.

20 Q Okay. I'd like to focus on two of  
21 your recommendations. The eighth  
22 recommendation that you set forth on page  
23 six, you state:

24 The plan of reorganization  
25 does not include concrete  
26 standards or obligations to  
27 allow the Commission to  
28 review whether PG&E is

1           implementing the plan as  
2           intended.

3           Is that correct?

4           A    Yes.

5           Q    And asking you in terms of, again,  
6           these timing issues is what's before the  
7           Commission and how this would go forward, you  
8           talk about specific terms, standards,  
9           expectations, and obligations.

10                  Can you give us an idea or clarify  
11           when would that occur? How will those things  
12           be developed and at what point would they be  
13           developed?

14           A    I think we'll know over time. I  
15           mean, certainly a plan that is designed to  
16           maintain just and reasonable rates to  
17           customers while providing the utility the  
18           ability to improve its financial standing, it  
19           is -- it is certainly a primary objective of  
20           this proceeding and presumably the next rate  
21           case, ensuring that the utility is able to  
22           meet its obligations for all the settlement  
23           of wildfire damage claim costs.

24           Q    So --

25           A    And ensure that the utility is able  
26           to modify operations to manage the risk of  
27           operations including wildfire risk in a way  
28           that protects the public and ensures that the

1 utility minimizes its risk of repeating these  
2 events.

3 Q Picking up on the beginning of your  
4 answer to that last question, these, again,  
5 will be things that will be developed over  
6 time. They're not necessarily things that  
7 are or can be introduced at this point.  
8 Again, we're taking a snapshot. But over  
9 time, as you just said, we're going to be  
10 developing a number of these things that need  
11 to come into consideration?

12 A I think the general outlooks for  
13 what we want to achieve can be identified,  
14 but the actual mechanisms that will allow us  
15 to achieve those in a way that protects  
16 customers and the utility is something we'd  
17 have to work through.

18 Q Okay. And, again, the purpose of  
19 this would be, and would you accept to allow  
20 for, if you will, course corrections, changes  
21 that may surface as we go over time to ensure  
22 that we don't end up with not only  
23 unacceptable levels of rates but certainly  
24 safe and reliable service coming from the  
25 utility?

26 A I think that's generally the same  
27 question. I think that's kind of all part of  
28 the expectations going forward. ]

1           Q    Your fifth recommendation, which  
2   you have also on page 4 you address  
3   governance issues and the need for autonomy  
4   and security for the utility; is that  
5   correct?

6           A    Yes.

7           Q    And then on page 28, you go into  
8   some detail regarding the autonomy and the  
9   Board of Governors who point out the need for  
10   independence of that Board?

11          A    For the utility Board not the  
12   corporate Board, yes.

13          Q    And can you tell me have you made  
14   any specific recommendations of how you  
15   achieve that independence?

16                Are there for example different  
17   people on the two boards? Or does -- are you  
18   including in your testimony a specific  
19   recommendation that you want to see?

20          A    I have not in this testimony. But  
21   generally separation of the utility from the  
22   parent company is a structure that has some  
23   experience throughout the industry. Credit  
24   rating agencies do provide some insight into  
25   what can help isolate the utility's credit  
26   standing from erosion of credit standing at  
27   the corporate level. And I think there is  
28   significant industry experience that



1 established some of those guidelines for an  
2 appropriate brief and separation between the  
3 utility and the parent company.

4 Q So is your testimony today and what  
5 we gather from our earlier discussion this  
6 also in that same category of things over  
7 time that may change or adjustments or  
8 different criteria may be introduced in terms  
9 of what we experience as we implement the  
10 plan and implement the various  
11 recommendations that the utility has made in  
12 the moving us forward to reach a  
13 confirmation?

14 A I think that is one aspect of the  
15 plan that can add additional customer  
16 protections with the utility company. And a  
17 proper separation of the Board of Directors  
18 from the utility from the parent company with  
19 the ability to make independent  
20 determinations in utility capital investment  
21 plan. And requirement to pay dividends to  
22 the parent company would include certain  
23 concessions the Commission may ask the  
24 utility to agree to in approval of the plan.

25 MR. BLOOM: Thank you, your Honor. I  
26 have no further questions.

27 ALJ ALLEN: Thank you, Mr. Bloom.

28 Any other cross for Mr. Gorman?

1                   Mr. Abrams, one question?

2                   MR. ABRAMS: One question.

3                   ALJ ALLEN: Go right ahead.

4                   CROSS-EXAMINATION

5 BY MR. ABRAMS:

6                   Q    Mr. Gorman, would you say that  
7 bankruptcy in the time of bankruptcy provides  
8 a unique opportunity for restructuring  
9 financials for the public good?

10                  A    Depending on the circumstances  
11 which lead to the bankruptcy filing, it can.  
12 To the extent that replacement of the  
13 significant level of the executives in the  
14 utility was part of that bankruptcy filing,  
15 then it's a possibility.

16                  Q    Thank you.

17                  ALJ ALLEN: Thank you.

18                       Is there any redirect?

19                   REDIRECT EXAMINATION

20 BY MR. ALCANTAR:

21                  Q    Yes, your Honor. Very briefly as  
22 to one question, one area.

23                       You were asked, Mr. Gorman, to  
24 refer to Mr. Wells' testimony at PG&E  
25 Exhibit-01, pages 228 and 229.

26                  A    Yes.

27                  Q    Do you recall that testimony?

28                  A    I do.

1           Q    You were characterized as having  
2   made an error in your testimony. Can you  
3   explain to the Commission what relevance that  
4   oversight with respect to these figures has  
5   with regard to your observations or  
6   conclusions recommended in your testimony?

7           A    Well, the observation related to  
8   whether or not there was verifiable interest  
9   rate savings created by the bankruptcy as  
10   observing that there were other debt  
11   instruments that interest rates may have  
12   changes as a result of the bankruptcy or as  
13   the erosion of credit standing of the utility  
14   company.

15               And while the RSA did allow for  
16   refinancing with some high coupon debt, it  
17   also allowed for the reinstatement of  
18   existing utility debt and where a provision  
19   of the reorganization plan states that those  
20   bondholders would be made whole for damages  
21   from the bankruptcy filing.

22               So it wasn't clear to me whether or  
23   not the interest rates on those bonds would  
24   be higher because of the bankruptcy than they  
25   would have been without the bankruptcy. So  
26   that was the point I was trying to make.

27               And while I did miss the interest  
28   rate notes by Mr. Wells in his testimony, it

1 still isn't clear to me that those interest  
2 rates are not higher as a result of the  
3 bankruptcy or restructuring plan than they  
4 might have been available absent the  
5 bankruptcy plan.

6 Q I appreciate it. One last  
7 question. Can you tell me what the answer is  
8 to "so what"? So what there's an oversight  
9 here. What does it mean to your position?

10 A It means that I have not changed my  
11 position that the company has not proven that  
12 there are net interest rate savings as a  
13 result of bankruptcy.

14 MR. ALCANTAR: Thank you, your Honor.  
15 Nothing further.

16 ALJ ALLEN: Any recross.

17 (No response.)

18 ALJ ALLEN: Thank you, Mr. Gorman. You  
19 are excused.

20 THE WITNESS: Thank you.

21 ALJ ALLEN: The next witness is  
22 Mr. Long; is that correct?

23 MR. FINKELSTEIN: That is correct, your  
24 Honor.

25 ALJ ALLEN: Go ahead and call Mr. Long.

26 MR. FINKELSTEIN: While that's  
27 happening, your Honor, may I move the  
28 admission of a few documents, or do you want

1 to do that --

2 ALJ ALLEN: Hold on a second.

3 MR. FINKELSTEIN: Okay.

4 ALJ ALLEN: TURN calls Thomas Long.

5 Off the record.

6 (Off the record.)

7 ALJ ALLEN: On the record.

8 Mr. Alcantar?

9 MR. ALCANTAR: Thank you, your Honor.

10 At this time pursuant to an appreciated  
11 stipulation from counsel for PG&E, we would  
12 move into the record the exhibits previously  
13 marked as EPUC-01, EPUC-1-C; is that correct?

14 ALJ ALLEN: 1-AC.

15 MR. ALCANTAR: Thank you. 1-AC,  
16 EPUC-02, and EPUC-02-C.

17 And in addition to those EPUC  
18 documents, we would move the admission of  
19 Mr. Gorman's testimony previously identified  
20 as TURN-EPUC-IS-02.

21 ALJ ALLEN: Is there any objection to  
22 the receipt of those exhibits?

23 (No response.)

24 ALJ ALLEN: Seeing none, those exhibits  
25 are received.

26 (Exhibit No. EPUC-01 was received  
27 into evidence.)

28 (Exhibit No. EPUC-01-AC was received  
into evidence.)

1 (Exhibit No. EPUC-02 was received  
2 into evidence.)

3 (Exhibit No. EPUC-02-C was received  
4 into evidence.)

5 (Exhibit No. TURN-EPUC-IS-02 was  
6 received into evidence.)

7 ALJ ALLEN: Off the record.

8 (Off the record.)

9 ALJ ALLEN: On the record.

10 THOMAS LONG, called as a witness by  
11 TURN, having been sworn, testified as  
12 follows:

13 THE WITNESS: I do.

14 ALJ ALLEN: Thank you. Please be  
15 seated, state your whole name, and spell your  
16 last name for the record.

17 Mr. Finkelstein, are you presenting  
18 this witness?

19 THE WITNESS: My name is Thomas Long,  
20 L-o-n-g.

21 DIRECT EXAMINATION

22 BY MR. FINKELSTEIN:

23 Q Good afternoon, Mr. Long.

24 A Good afternoon.

25 Q Do you have before you what has  
26 been marked as TURN-01, which is your  
27 prepared reply testimony?

28 A Yes, I have that.

Q And do you have also before you  
what's been marked TURN-01-E, which is the

1 errata to your prepared testimony?

2 ALJ ALLEN: I think we haven't marked  
3 that on the record yet.

4 MR. FINKELSTEIN: I'm sorry, your  
5 Honor. Can we mark on the record TURN-01-E  
6 and TURN-02, please?

7 ALJ ALLEN: Sure. I have in front of  
8 me The Errata to Prepared Reply Testimony of  
9 Thomas Long. That will be marked as  
10 TURN-01-E.

11 (Exhibit No. TURN-01-E was marked  
12 for identification.)

13 ALJ ALLEN: I have TURN Exhibit TURN  
14 Responses to PG&E Data Request 2-7 and 3.  
15 That will be marked as TURN-02.

16 (Exhibit No. TURN-02 was marked for  
17 identification.)

18 ALJ ALLEN: Go ahead.

19 BY MR. FINKELSTEIN:

20 Q So, Mr. Long, do you still have  
21 before you what's been marked as TURN-01-E,  
22 your errata?

23 A Yes, I have that.

24 Q And that's errata to your prepared  
25 reply testimony?

26 A That's correct.

27 Q And do you have before you what's  
28 been marked as TURN-02, which are responses

1 to PG&E's data request?

2 A I have that.

3 Q Were those materials prepared by  
4 you or under your direction?

5 A Yes, they were.

6 Q To the extent they make factual  
7 assertions, are they true and correct to the  
8 best of your knowledge?

9 A Yes.

10 Q To the extent they recommend  
11 policies, do they reflect your best judgment  
12 on these matters?

13 A Yes, they do.

14 Q Do you have any other corrections  
15 to make to your testimony?

16 A I do not.

17 MR. FINKELSTEIN: Mr. Long's available  
18 for cross.

19 ALJ ALLEN: Thank you.

20 Mr. Rutten, are you doing cross on  
21 this witness?

22 CROSS-EXAMINATION

23 BY MR. RUTTEN:

24 Q I am, your Honor.

25 Good afternoon, Mr. Long.

26 A Good afternoon.

27 Q I'd like to use our time together  
28 to focus on issues surrounding executive



1 compensation. In your testimony, you offer a  
2 number of opinions about the proper design of  
3 PG&E's Executive Compensation Programs;  
4 correct?

5 A Yes.

6 Q Have you ever worked for a company  
7 where you have responsibility of designing  
8 that company's Executive Compensation  
9 Program?

10 A I have not.

11 Q Have you published any  
12 peer-reviewed articles on the subject of  
13 proper executive compensation design?

14 A I have not.

15 Q Do you hold a degree in industrial  
16 relations?

17 A I do not.

18 Q Do you hold a degree in human  
19 resources management?

20 A I do not.

21 Q You would agree with me that it is  
22 important for PG&E to mitigate the risk of  
23 catastrophic wildfires?

24 A Yes, I certainly would.

25 Q And you understand that Public  
26 Safety Power Shutoffs, or PSPS, is one way of  
27 mitigating that risk?

28 A Yes. But there are also offsetting

1 risks that the shutoffs themselves pose.

2 Q So PSPS can itself create separate  
3 risks?

4 A Exactly.

5 Q So there can be risks associated  
6 with not implementing the PSPS. And there  
7 can be risks associated with implementing the  
8 PSPS; fair?

9 A Yes.

10 Q So would you agree the decision  
11 whether to implement the PSPS is a serious  
12 decision?

13 A It's a serious decision. I agree.

14 Q Would you agree that that decision  
15 should be made to the extent possible based  
16 on objective criteria such as for example  
17 weather conditions?

18 A It should be made on based on a lot  
19 of -- many considerations. And there are  
20 others in my organization who have been  
21 focused on that in the deenergization docket.  
22 But I would generally agree with your  
23 statement.

24 Q Certainly you would agree injecting  
25 someone's personal financial motivations into  
26 the decision of whether to implement the PSPS  
27 would be a bad idea?

28 A I think the decision to -- whether

1 or not to implement PSPS in the scope should  
2 not be based on financial considerations.

3 Q In your testimony -- and I'll be  
4 looking at page 32. It should be in Tab 1 of  
5 the binder that we set up there for you as a  
6 resource. In your testimony, you propose a  
7 incentive compensation performance metric  
8 called "Customer Hours of PSPS Shutoffs Per  
9 High Fire Threat District Miles." Is that  
10 correct?

11 A Yes. And we also spoke to that in  
12 one of our data request responses.

13 Q Let's look at those data responses,  
14 which I believe were just marked as TURN-02.  
15 And I'd like focus you on pages 3 and 4 where  
16 we can find that discussion. If it's  
17 helpful, that's in your binder up there at  
18 Tab 2.

19 A I have it.

20 Q Okay. And on page 3, this metric  
21 called Customer Hours of PSPS Shutoffs Per  
22 High Fire Threat District Mile, that is  
23 defined as the number of customer hours of  
24 deenergization due to PSPS; correct?

25 A That's the general definition.  
26 Although the actual specific calculation is  
27 shown in the row below that.

28 Q The general definition as I just

1 phrased it tracks with what's in TURN's data  
2 response?

3 A Yes.

4 Q Looking above that, the paragraph  
5 that begins with the word "response." It  
6 says quote:

7 As stated on page 32, lines  
8 3 to 4, of Mr. Long's reply  
9 testimony, the purpose of  
10 this metric is to  
11 incentivize a reduction in  
12 the frequency, scope, and  
13 duration of PSPS events.

14 Which is the same goal that  
15 PG&E identified for its  
16 proposed substation  
17 enablement metric.

18 Did I accurately read TURN's text  
19 there?

20 A Yes, that's accurate.

21 Q Okay. And as a citation for that,  
22 it goes on to cite Mr. Lowe's testimony.  
23 Page 7-17 do you see that?

24 A Yes.

25 Q Mr. Lowe's testimony is up there  
26 with you in Tab 3 of the binder we provided.  
27 Let me ask you to look at page 7-17, please.

28 MR. FINKELSTEIN: Your Honor, if we

1 could have a minute to literally get on the  
2 same page.

3 ALJ ALLEN: I'm sure Mr. Long will let  
4 us know when he's ready.

5 MR. FINKELSTEIN: I was less worried  
6 about Mr. Long, your Honor.

7 I've got it. Thank you.

8 THE WITNESS: I'm at page 7-17.

9 ALJ ALLEN: Mr. Finkelstein?

10 MR. FINKELSTEIN: I'm there, your  
11 Honor.

12 BY MR. RUTTEN:

13 Q Can you please show us where on  
14 page 7-17 or anywhere in Mr. Lowe's testimony  
15 where he says the purpose of PG&E's  
16 substation enablement metric is to  
17 incentivize a reduction in the frequency of a  
18 PSPS.

19 A In that paragraph on that page, I  
20 do not see the word "frequency."

21 However, I did see that in numerous  
22 places in PG&E's testimony elsewhere. That  
23 PG&E is striving and takes very seriously its  
24 desire to reduce not just the scope but the  
25 frequency of PSPS events.

26 Q Do you see anything in Mr. Lowe's  
27 testimony or can you point to anything in any  
28 PG&E testimony that says the purpose of the

1     substation enablement metric is to reduce the  
2     frequency of PSPS?

3             A     I don't see it in this paragraph.  
4     And, you know, I don't have the time now to  
5     scope through every word of his testimony.  
6     But I don't see it in this particular  
7     paragraph that you point me to.

8             Q     Can you point us to anything in  
9     Mr. Lowe's testimony or elsewhere in PG&E's  
10    testimony saying that PG&E is trying to  
11    inject personal financial motivations into  
12    the decision of implementing PSPS?

13            A     Could you repeat that question?

14            Q     Sure. Can you point us to anything  
15    in Mr. Lowe's testimony or elsewhere in  
16    PG&E's testimony saying that PG&E is trying  
17    to inject personal financial motivations into  
18    the decision of whether to implement a PSPS  
19    event?

20            A     I don't think that was the nature  
21    of my concerns about the way the PG&E  
22    structured its Incentive Compensation  
23    Program. So I don't think you'll find that  
24    in my testimony.

25            Q     So you can't point us to anything  
26    in PG&E's testimony; is that fair?

27            A     If you're talking just about the  
28    substation enablement metric? Is that what

1 your question pertains to?

2 Q My question was actually a little  
3 broader. I'll ask it again. The question  
4 was: Can you point us to anything in PG&E's  
5 testimony saying that PG&E is trying to  
6 inject personal financial motivations into  
7 the decision of whether to call a PSPS event?

8 A No. I'm sure PG&E would not say  
9 that's what they're trying to do. So I don't  
10 think I would find that.

11 Q Let's talk about the situation in  
12 which incentive compensation is otherwise  
13 payable to PG&E may be denied. You  
14 understand that it described in Mr. Lowe's  
15 testimony the Board and the Compensation  
16 Committee have discretion to reduce or  
17 eliminate incentive compensation awards if  
18 the totality of the circumstances they  
19 believe that would be appropriate. You  
20 understand that's the case?

21 A I understand that. I believe the  
22 phrase that was used was "as the Board sees  
23 fit."

24 Q Are you aware that the Board has in  
25 fact reduced incentive compensation in prior  
26 years?

27 A I saw a reference to that in PG&E's  
28 testimony. I don't know for a fact myself.

1 But I saw a reference to that.

2 Q Are you aware that the Board  
3 reduced the award to zero for the year 2018?

4 A I heard that. I don't know that  
5 personally, but I've heard that.

6 Q Are you aware that the Board  
7 reduced the incentive compensation following  
8 the San Bruno tragedy?

9 A I do not know one way or the other.

10 Q Let me ask you to look at page 36  
11 of your testimony, please. I'd like to focus  
12 you on line 26. Tell me when you're there.

13 A I'm there.

14 Q In the middle of the sentence it  
15 says:

16 TURN recommends that most  
17 or all of PG&E's otherwise  
18 payable incentive  
19 compensation be eliminated  
20 in the event of  
21 catastrophic wildfire  
22 defined as a fire involving  
23 one or more fatalities.

24 And then it goes on from there. Do  
25 you see that?

26 A Right. It includes "or a  
27 catastrophic accident" as well.

28 Q I want focus on the fire aspect of



1     that.  That's TURN's recommendation in this  
2     proceeding?

3             A     It is a recommendation.  And it is  
4     further elaborated upon in my data request  
5     responses.

6             Q     Under TURN's proposal of it's  
7     recommendation, would the elimination of most  
8     or all incentive compensation in the event of  
9     a catastrophic wildfire be automatic or would  
10    it be subject to discretion?

11            A     If I could take a moment and find  
12    the data request response where we elaborate  
13    on this proposal, I think I can speak to that  
14    question.

15                    Okay.  I located my data request  
16    response.  Would you mind repeating the  
17    question?

18            Q     Sure.  Under TURN's proposal that I  
19    read from your testimony for elimination of  
20    most or all incentive compensation in the  
21    case of a catastrophic wildfire defined as  
22    having one or more fatalities, would the  
23    elimination of that compensation be automatic  
24    or subject to discretion?

25            A     If you'll allow me to just preface  
26    my response.  I do intend to answer that  
27    question.  But I want to preface it by saying  
28    that TURN's recommendation on executive

1 compensation is first and foremost that PG&E  
2 should put in a revised proposal that takes  
3 into account the concerns that TURN has  
4 raised.

5 And we're hoping the Commission  
6 will in its order in this proceeding direct  
7 PG&E to address some of those concerns or all  
8 of our concerns actually.

9 And one of those concerns is the  
10 standard list discretion that PG&E is giving  
11 itself for reduction or elimination of  
12 executive compensation. So our proposal, as  
13 elaborated upon as a suggestion to the PG&E  
14 in this revised proposal, it's not a  
15 definitive proposal by TURN but a suggestion  
16 to PG&E, is that PG&E withhold 50 percent of  
17 the executive compensation in the event that  
18 PG&E causes one of the events that I  
19 mentioned in my testimony: A catastrophic  
20 wildfire or a catastrophic explosion of its  
21 -- on its gas lines.

22 And that PG&E have discretion based  
23 on identified criteria to withhold more than  
24 that. So that's -- that I hope is responsive  
25 to your question.

26 Q It is. Thank you. Let me try to  
27 rephrase to make sure I understand. So first  
28 of all I understand that TURN's

1 recommendation are you saying that it has  
2 evolved from the time of your testimony on  
3 February 21st to the time of the data  
4 responses on February 28th?

5 A In response to PG&E's question, we  
6 endeavor to try to give PG&E more guidance  
7 about what we're looking for. So the  
8 recommendation is the same. But we've given  
9 PG&E more details about what we're looking  
10 for in a program that would have -- do a  
11 better job of bounding the discretion of the  
12 PG&E Board.

13 Q So as I understand the proposal --  
14 excuse me. If I understand correctly the  
15 proposal as it currently stands based on your  
16 testimony, 50 percent of the incentive  
17 compensation would be automatically denied in  
18 the event of a catastrophic wildfire? Is  
19 that fair?

20 A Well, automatic is a determination  
21 -- PG&E would make a determination whether it  
22 had caused a catastrophic wildfire that leads  
23 to one or more deaths or a gas explosion that  
24 leads to one or more deaths. PG&E would make  
25 a determination. And that determination  
26 would be made. And PG&E would then -- I  
27 don't think I'd use the word "automatic."  
28 But PG&E would then at a minimum reduce the

1 otherwise payable incentive award by  
2 50 percent.

3 If circumstances changed and PG&E  
4 learned more, for example found that it did  
5 not in fact cause one of those events, then  
6 PG&E would have a chance to revise that  
7 determination.

8 Q Let me ask this by way of examples  
9 to see if I can understand. Let's say the  
10 PG&E equipment ignites a wildfire that  
11 results in a fatality because a car slammed  
12 into a pole and knocked it over, and so PG&E  
13 equipment's sparking.

14 Under TURN's recommendation in that  
15 situation, would the executives lose at least  
16 50 percent of their incentive compensation?

17 A I think whether or not PG&E was the  
18 cause would depend on circumstances. So if  
19 it was a well placed pole that was well  
20 maintained and PG&E's operation of the pole  
21 or PG&E's maintenance of the pole, placement  
22 of the pole et cetera, had absolutely nothing  
23 to do with the cause of the wildfire, then I  
24 would not attribute the cause to PG&E. I  
25 would say the cause there was the vehicle  
26 running into the pole. So I would not call  
27 that a PG&E-caused event.

28 Q So even though these sparks came

1 from PG&E's equipment, that is not a  
2 situation where executives would lose their  
3 incentive compensation?

4 A I wouldn't suggest that happen in  
5 that case. But you may be getting -- you may  
6 be getting to what happens if a limb blows  
7 into a line and causes a spark. In that  
8 instance, I would say PG&E facilities did  
9 cause the wildfire, and that should be  
10 considered a PG&E-caused event.

11 Q And in that situation, executives  
12 would lose at least 50 percent of their  
13 incentive compensation under TURN's proposal?

14 A Yes.

15 Q What if the limb blows from 50 feet  
16 away?

17 A Same.

18 Q Same. What if PG&E could have  
19 called a PSPS but did not, and the limb blows  
20 into the live line, the fire starts, same?  
21 Executive lose half their incentive  
22 compensation?

23 A They would lose at least half. And  
24 then there would be criteria that we're  
25 encouraging PG&E to develop to determine  
26 whether there should be additional  
27 withholding of incentive-based compensation.

28 Q Let me give you a different

1 example. Let's say a piece of PG&E equipment  
2 fails for reasons that have nothing to do  
3 with negligence or violation of law on PG&E's  
4 part. Let's just say it's a brand new piece  
5 of equipment and a latent manufacturing  
6 defect no one could have known about. Fire  
7 starts and there's a fatality. Under TURN's  
8 proposal, would PG&E executives lose at least  
9 half of their incentive compensation?

10 A PG&E's responsible for that  
11 equipment. I've never heard of anything like  
12 what you're talking about happening in any of  
13 the catastrophic events that we've seen in  
14 California in PG&E's service territory. But  
15 I would say PG&E's responsible for making  
16 sure that its equipment is up to the job. ]

17 Q Are you aware of any articles or  
18 studies or literature that discusses the  
19 effect on a company's ability to recruit if  
20 employees can lose their incentive  
21 compensation for reasons that are out of  
22 their control?

23 A I'm not aware of anything  
24 specifically to that, but my concern is that  
25 PG&E has a program where it just says, we can  
26 do it based on anything that we see fit. We  
27 can withhold anything we think is a good  
28 reason to withhold.

1           And if I were an employee, subject  
2 to that regime, I would be a little bit  
3 concerned about not knowing the basis for  
4 PG&E making that decision, and I would think  
5 that would have a problem, that would cause a  
6 problem for recruiting and retaining talent.

7           Q    So you're concerned that PG&E's  
8 incentive compensation programs, as described  
9 in the testimony of Mr. Lowe, give too much  
10 discretion to the board that might hurt  
11 PG&E's ability to recruit?

12           A    It's not that there's -- the  
13 problem is, and I state this in my testimony  
14 that the discretion is not bounded and there  
15 is no criteria given, and the statute says  
16 that the metrics that are to be used to  
17 determine incentive compensation are to be  
18 measurable and enforceable.

19                   There's nothing in a as-we-see-fit  
20 standard that this Commission or the Wildfire  
21 Safety Division, if it has the  
22 responsibility, can enforce against.

23                   PG&E can decide, after an event  
24 like the Camp Fire, that it doesn't see a  
25 reason to withhold any executive  
26 compensation. There's nothing in a  
27 as-we-see-fit standard that the Commission  
28 could enforce in that instance.

1           Q    Are you expressing a concern,  
2   Mr. Long, for PG&E's executives?

3           A    I think executive compensation is  
4   extremely important. We've devoted a lot of  
5   attention to it, not just to PG&E, but to the  
6   other utilities because we think it can be a  
7   way of focusing behavior on what matters with  
8   respect to safety.

9                    So that's the concern is that we  
10   have executives that are focused on safety  
11   and making the company as safe as possible.

12          Q    Let me ask you about the issue of  
13   discretion. I understand your position that  
14   you think there should be some bounds around  
15   that, and as I understand it, you're saying  
16   that in the event of a PG&E-caused wildfire  
17   involving a fatality, executives would lose  
18   at least half their compensation, and the  
19   other half would potentially be lost subject  
20   to discretion. Is that what --

21          A    Subject to discretion, but based on  
22   stated criteria; akin to what the Commission  
23   does. The Commission has criteria that it  
24   sets forth for determining a penalty amount,  
25   but there's discretion. But there's criteria  
26   that show how the discretion will be  
27   exercised instead of "as we see fit."

28          Q    You have the data responses in



1 front of you that might be helpful.

2 Looking at page 7, am I correct  
3 that one of the discretionary factors that  
4 you believe would be appropriate is whether  
5 the company committed a legal violation that  
6 threatened safety?

7 A That would be a good criteria to  
8 include in that exercise of discretion, yes.

9 Q Another discretionary factor would  
10 be whether the company committed negligent  
11 acts that threatened safety; correct?

12 (Reporter interruption.)

13 BY MR. RUTTEN:

14 Q Another factor to be considered in  
15 the exercise of this discretion in your view  
16 would be whether the company committed  
17 negligent acts that threatened safety; is  
18 that correct?

19 A What we say here -- by the way, we  
20 identify criteria that could be identified.

21 Again, these are suggestions to  
22 PG&E and one of them is whether the company  
23 committed imprudent or negligent acts that  
24 threatened safety.

25 Q That's the second factor.

26 The third factor you list is  
27 whether the company engaged in criminal  
28 conduct; correct?

1           A    That is another potential  
2   criterion.

3           Q    And the fourth factor is the  
4   magnitude of damage to persons or property  
5   from the event; correct?

6           A    Yes.

7           Q    So those four factors that you've  
8   listed are not exhaustive; are they?

9           A    No. In fact, as I said, those are  
10   criteria that we're suggesting that could be  
11   included, but those are not meant to be an  
12   exhaustive list.

13          Q    Are you able to give us an  
14   exhaustive list of all the factors that  
15   should be considered in this discretionary  
16   determination?

17          A    Not as sit here, no.

18          Q    In fact, you would agree it's  
19   impossible for us to be in this room today to  
20   foresee all the facts and circumstances  
21   surrounding some future event that might  
22   appropriately be considered in this exercise  
23   of discretion?

24          A    Well, I -- maybe, but I don't see  
25   that as a reason to not have some criteria  
26   that bound the discretion.

27                Again, just as the Commission has  
28   criteria that bound its discretion in fixing

1 a penalty amount, yes, there is discretion,  
2 but there's some guidance to that, some  
3 standard to fix the compensation again.

4 MR. RUTTEN: Thank you, Mr. Long.

5 Nothing further, your Honor.

6 ALJ ALLEN: Mr. Bloom.

7 CROSS-EXAMINATION

8 BY MR. BLOOM:

9 Q Good afternoon, Mr. Long.

10 A Good afternoon.

11 Q In your testimony you call for  
12 interventionist measures, commitments that  
13 are necessary to prevent future occurrences  
14 of safety failures that have plagued PG&E and  
15 victimized communities; is that correct?

16 A We're saying, this is an occasion  
17 for the Commission to maybe be more  
18 interventionist than it might otherwise be  
19 comfortable with.

20 Q And when you talk about the  
21 "victimized communities it serves," I assume  
22 your reference would certainly include the  
23 wildfire victims?

24 A Yes.

25 Q Can you explain or give a little  
26 more detail on what the goal is and why you  
27 want interventionist measures.

28 A Well, every word of my testimony is

1 for the purpose of trying to get PG&E to be a  
2 safe company, and we've devoted a lot of time  
3 and attention to safety-related proceedings  
4 at the PUC, and we think we have some  
5 constructive suggestions to offer to improve  
6 PG&E's ability to operate as a safe utility  
7 so that's the perspective from which we come.

8 Q Would you agree that the goal is to  
9 identify problems, issues, before they  
10 progress to a safety failure or some type of  
11 catastrophic event or problem?

12 A Absolutely.

13 What we've learned in the past is  
14 there can be latent problems that are not  
15 known that prove catastrophic, and I'm  
16 particularly thinking of the San Bruno  
17 explosion where there was what turned out to  
18 be an extremely dangerous piece of pipe  
19 sitting under the community of San Bruno that  
20 PG&E did not know was in that condition, and  
21 I'm also thinking about the Camp Fire where  
22 there was an old kind of transmission tower  
23 that needed attention that PG&E did not do  
24 anything about.

25 Q So would I be correct in  
26 categorizing or -- your proposals, the idea  
27 is to minimize the risk of a safety failure  
28 that would result in similar harm to

1 communities?

2 A Certainly.

3 Q And would you accept that the  
4 existence of the intervention strategies or  
5 intervention measures that you set forth  
6 could provide at least some piece of mind to  
7 victims of the fires that there's a system in  
8 place to identify things, and, hopefully,  
9 minimize the risk of a future catastrophic  
10 event or other harm that they might be  
11 exposed to?

12 A Well, I hope that everything that  
13 PG&E suggests and the additional measures  
14 that we suggest can give us a little more  
15 confidence that the utility will operate more  
16 safely than it has in the past. And, again,  
17 that's the goal.

18 I also say that I'm not confident,  
19 based on what I've seen from PG&E, that even  
20 TURN's own recommended measures are  
21 ultimately going to do the job because it  
22 depends very much how they are implemented by  
23 a company that doesn't have a good track  
24 record.

25 And so that's why I suggest that  
26 the Commission hold over the utility the  
27 potential for revocation of its CPCN as  
28 something that will, hopefully, focus PG&E's

1 collective minds and efforts even more  
2 sharply than they have been in the past.

3 Q So leaving aside whether we agree  
4 the CPCN and whatever might be on the table  
5 or not, you call in your testimony for what  
6 you call "transformational change that's  
7 needed," and you identify that the most  
8 significant measure that would reflect such  
9 change is the regionalization concept of the  
10 plan that at this point has not been  
11 developed or brought to the Commission; is  
12 that correct?

13 MR. FINKELSTEIN: If I could interject  
14 just so I can track along. Can we get a page  
15 cite to the specific part of the testimony  
16 you're referring to?

17 MR. BLOOM: Sure.

18 THE WITNESS: Based on my table of  
19 contents, it looks like it's page 25.

20 MR. FINKELSTEIN: Thank you.

21 Thank you, Mr. Bloom.

22 THE WITNESS: I think what I state is  
23 that -- and maybe there was another place  
24 where I addressed it as well, but I think  
25 what I state is that of the measures that  
26 PG&E has identified as initiatives that it's  
27 arrived at in consultations with the  
28 Governor's Office, this one, the

1 Regionalization Initiative, has the potential  
2 to be closer to transformative than anything  
3 else that I see; however, on page 25, I say  
4 that, just as you've said in your question,  
5 it's very much undeveloped, and it's very  
6 hard to tell whether it will indeed -- how  
7 transformative it would really be until we  
8 see the details.

9 BY MR. BLOOM:

10 Q Just for the clarity of the record,  
11 I did have it highlighted. It's on page 2,  
12 and you say, quote, "Probably the most  
13 significant of the measures in PG&E's  
14 testimony is the regionalization concept, but  
15 that is not yet a concrete proposal that can  
16 be assessed for its ability to improve the  
17 safety of PG&E operations." So that is the  
18 sentence I was referring to on page 2.

19 A Thank you.

20 Q Just so I can understand, since we  
21 all understand, not just from you, frankly,  
22 but from a lot of the testimony as well as  
23 from in the reply testimony, that the  
24 regionalization concept has not been  
25 developed or brought to the Commission, and  
26 there are proposals that will be brought in  
27 the future, maybe in the next general rate  
28 case as part of that filing, and we had

1 testimony that it may take a year or two or  
2 more to implement, and then a while to figure  
3 out.

4           Could you tell us what TURN is  
5 looking for in terms of what happens in the  
6 meantime. Where do we go in terms of the  
7 short term versus the longer term, and  
8 particularly in light of the need for the  
9 Commission to approve a plan or to reach its  
10 decision in the next 60 days?

11           A     That's what my testimony speaks to.  
12 I'm not going to -- I'm not going to restate  
13 everything in my testimony, but we make a  
14 number of recommendations in my testimony  
15 that we hope will improve be the ability of  
16 PG&E to operate safety.

17           We will also be speaking in our  
18 pleading on May 13th to the assigned  
19 Commissioner ruling proposals. So we're  
20 going to be -- my testimony addresses that.  
21 We're going to be further addressing it in  
22 our brief and in our comments.

23           Q     Just to be clear, you're not  
24 proposing this be held back until this  
25 restructuring proposal is brought to the  
26 Commission, considered and ruled on?

27           There's a number of interim things  
28 that you may or may not propose and the



1 Commission may adopt, but --

2 A I'm sorry. You used a "this" there  
3 and I didn't know what you meant by "this."  
4 Maybe you could start your question again.

5 Q You are not proposing in this  
6 proceeding that the decision of the  
7 Commission be held back in terms of  
8 compliance to AB 1054 until that  
9 restructuring organizational plan is brought  
10 to the Commission and decided upon?

11 A No. That is not our proposal.

12 MR. BLOOM: Thank you, your Honor. I  
13 have no further questions.

14 ALJ ALLEN: Is there any further --  
15 Mr. Abrams?

16 MR. ABRAMS: May I take three minutes?

17 ALJ ALLEN: Three minutes is fine.

18 CROSS-EXAMINATION

19 BY MR. ABRAMS:

20 Q Do you agree, Mr. Long, that any  
21 use of the victims or the victim's trust to  
22 adversely affect rates should be avoided by  
23 the Commission?

24 MR. FINKELSTEIN: Objection; beyond the  
25 scope.

26 MR. ABRAMS: It's related --

27 ALJ ALLEN: I'm not clear exactly what  
28 you're asking, Mr. Abrams. I mean, it seems

1     like knowing this is from TURN that,  
2     essentially, if he understood it, the answer  
3     is going to be "no" and "no." He doesn't  
4     want to harm victims and he doesn't want to  
5     increase rates. So I'm not sure what you're  
6     trying to get with that question. Can you  
7     try to refocus or rephrase.

8             MR. ABRAMS: Sure.

9             Q     To whatever extent that the plan of  
10     reorganization leverages the victims and the  
11     victims' trust to adversely affect rates is  
12     in the purview of the Commission and should  
13     be avoided through the Plan of  
14     Reorganization?

15            A     Well, let me try to answer your  
16     question this way: The fact that the plan  
17     has wildfire victims, whatever word we use,  
18     becoming shareholders of the company could  
19     lead to a situation in which arguments are  
20     made by PG&E that if, for example, TURN seeks  
21     a disallowance based on imprudence, that  
22     TURN's recommendation should be rejected  
23     because it would be harmful to not just the  
24     general body of shareholders, but to this new  
25     group of shareholders, the wildfire victims,  
26     that's something that if the Commission  
27     approves this plan, it should be very  
28     attentive to.

1           That should not be an additional  
2           factor that weighs on the scale of the  
3           Commission's determinations about whether  
4           to -- the Commission's determinations in  
5           setting -- meeting its statutory obligation  
6           of ensuring just and reasonable rates.

7           MR. ABRAMS: Thank you.

8           Thank you, your Honor.

9           ALJ ALLEN: Thank you, Mr. Abrams.

10          Any redirect?

11          MR. FINKELSTEIN: No, your Honor.  
12          Thank you.

13          ALJ ALLEN: Thank you.

14          Mr. Long, you are excused.

15          My understanding is this completes  
16          the cross-examination; am I correct?

17          (No response.)

18          ALJ ALLEN: I see nods. I don't see  
19          anyone telling me I'm wrong. So thank you,  
20          everyone.

21          Let's move into the housekeeping. I  
22          think we have exhibits to move into the  
23          record. Why don't we start with  
24          Mr. Finkelstein.

25          MR. FINKELSTEIN: Sure. I'd like to  
26          start with the documents that were just the  
27          subject of Mr. Long's testimony on  
28          cross-examination. That would be -- what's

1 your preference, one at a time? Can I list  
2 three?

3 ALJ ALLEN: So what I have is TURN-01,  
4 which is the Prepared Reply Testimony of  
5 Thomas Long.

6 TURN-01-A, previously marked, which  
7 is the Attachments to the Prepared Testimony  
8 of Thomas Long.

9 TURN-01-E, the Errata to Prepared  
10 Testimony.

11 And TURN-02, TURN's Responses to  
12 PG&E Data Request. This is separate from any  
13 cross exhibits.

14 Did I identify those non-cross  
15 exhibits accurately?

16 MR. FINKELSTEIN: Yes.

17 ALJ ALLEN: And I take it, you wish to  
18 move those into the record?

19 MR. FINKELSTEIN: Yes. Please.

20 ALJ ALLEN: Is there any objection to  
21 TURN-01, TURN-01-A, TURN-01-E or TURN-02?

22 (No response.)

23 ALJ ALLEN: Seeing none. Those  
24 exhibits are admitted.

25 (Exhibit No. TURN-01, TURN-01-A were  
26 received into evidence.)

27 (Exhibit No. TURN-01-E, TURN-02 were  
28 received into evidence.)

28 ALJ ALLEN: Mr. Finkelstein, I assume

1       there are other exhibits as well.

2               MR. FINKELSTEIN:   There are, your  
3       Honor.

4               ALJ ALLEN:   Let's go off the record.

5                       (Off the record.)

6               ALJ ALLEN:   On the record.

7               MR. FINKELSTEIN:   Your Honor, TURN  
8       would also move for introduction into the  
9       record of what's been marked as  
10      TURN/EPUC/IS-01, and TURN/EPUC/IS-01-A, and  
11      TURN/EPUC/IS-01 being the Prepared Testimony  
12      of Robert Finkelstein, and 01-A being the  
13      Attachments thereto.

14              ALJ ALLEN:   Is there any objection to  
15      receiving TURN/EPUC/IS-01, or 01-A?

16                       (No response.)

17              ALJ ALLEN:   Seeing none.   Those  
18      exhibits are admitted.

19                       (Exhibit No. TURN/EPUC/IS-01,  
20      TURN/EPUC/IS-01-A were received into  
    evidence.)

21              ALJ ALLEN:   Thank you, Mr. Finkelstein.

22              MR. FINKELSTEIN:   Your Honor, I think  
23      that TURN has some number of  
24      cross-examination exhibits, if we can do  
25      those as well now.

26              ALJ ALLEN:   Let's do that.   I have a  
27      list.

28              MR. FINKELSTEIN:   That would be very

1 helpful.

2 (Off the record.)

3 ALJ ALLEN: On the record.

4 In terms of TURN's cross-examination  
5 exhibits, TURN-X-02 we've already marked as  
6 received. So the ones that have not been  
7 received are TURN-X-03, X-05, X-06, X-07,  
8 X-08, and X-09.

9 Is there any party who wishes me to  
10 identify those specifically, or is there any  
11 objection to the receipt of any of those  
12 exhibits?

13 MR. WEISSMANN: Are we off?

14 ALJ ALLEN: Off the record.

15 (Off the record.)

16 ALJ ALLEN: On the record.

17 I see no objection to the admission  
18 of TURN X-03 through X-09, and so those will  
19 be admitted.

20 MR. FINKELSTEIN: Thank you, your  
21 Honor.

22 ALJ ALLEN: Thank you.

23 (Exhibit No. TURN-X-03, TURN-X-04,  
24 TURN-X-05, TURN-X-06 were received  
into evidence.)

25 (Exhibit No. TURN-X-07, TURN-X-08,  
26 TURN-X-09 were received into  
evidence.)

27 ALJ ALLEN: Are there any other  
28 exhibits for TURN?

1           MR. FINKELSTEIN: Not that I know of,  
2           your Honor.

3           ALJ ALLEN: Thank you.

4           Off the record.

5           (Off the record.)

6           ALJ ALLEN: Ms. Hong.

7           MS. HONG: Thank you, your Honor.

8           At this time I would like to move  
9           for admission into the record the following  
10          exhibits: What has been marked as Exhibit  
11          CCSF-01, the Prepared Reply Testimony of  
12          Margaret A. Meal on behalf of the City and  
13          County of San Francisco.

14          What has been marked CCSF-01-E,  
15          Errata to Prepared Reply Testimony of  
16          Margaret A. Meal on behalf of the City and  
17          County of San Francisco.

18          What has been marked as Exhibit  
19          CCSF-02, CCSF Responses to PG&E's Data  
20          Request, Set CCSF-001, exclamation mark,  
21          Questions 1 through 7, 10 through 14, and 18  
22          and 19.

23          And, finally, what has been marked  
24          as Exhibit CCSF-03, CCSF's Responses to  
25          PG&E's Data Request, Set CCSF-001,  
26          exclamation mark, Questions 8 and 9 and 15  
27          through 17. ]

28          ALJ ALLEN: Is there any objection to

1 the admission of Exhibits CCSF-01, CCSF-01-E,  
2 CCSF-02, and CCSF-03? Seeing none, those  
3 exhibits are received.

4 (Exhibit Nos. CCSF-01, CCSF-01-E,  
5 CCSF-02, and CCSF-03 were received  
into evidence.)

6 ALJ ALLEN: Thank you, Ms. Hong.

7 MS. HONG: Thank you, your Honor.

8 ALJ ALLEN: Mr. Miley.

9 MR. MILEY: Thank you, your Honor.

10 Matt Miley, Public Advocates Office. Public  
11 Advocates Office requests that two exhibits  
12 be received into evidence. Those have been  
13 marked as Cal Advocates-X-01, those are data  
14 request responses.

15 The second exhibit is Cal  
16 Advocates-X-02, which is an excerpt from  
17 PG&E's 10K form.

18 ALJ ALLEN: Is there any objection to  
19 the receipt of Cal Advocates-X-01 and Cal  
20 Advocates-X-02? Seeing none, those exhibits  
21 are received.

22 (Exhibit Nos. CAL ADV-X-01 and CAL  
23 ADV-X-02 were received into  
evidence.)

24 MR. MILEY: Thank you.

25 ALJ ALLEN: Any others whose parties  
26 are present? Let's go ahead and start with  
27 PG&E.

28 Off the record.



1 (Off the record.)

2 ALJ ALLEN: On the record.

3 What I have in terms of prepared  
4 testimony, Mr. Weissmann, I have PG&E-01,  
5 PG&E-02, PG&E-03, PG&E-04, PG&E-05, PG&E-06,  
6 and PG&E-07. We'll get to PG&E-08  
7 momentarily. Those were prepared testimony  
8 through Number 6. Number 7 was Supplemental  
9 Testimony Including Errata.

10 Are there any objections to the  
11 receipt of PG&E-01 through PG&E-07? Seeing  
12 none, PG&E-01 through PG&E-07 are admitted.

13 (Exhibit Nos. PG&E-01 through  
14 PG&E-07 were received into  
evidence.)

15 ALJ ALLEN: Off the record.

16 (Off the record.)

17 ALJ ALLEN: On the record. We have  
18 also previously identified PG&E-08, PG&E-09,  
19 PG&E-10, PG&E-11, PG&E-12, PG&E-13, PG&E-14,  
20 and PG&E-15 during an off-the-record  
21 conversation. It appears there's no  
22 objection to receipt of those; is that  
23 correct?

24 Any objection to the receipt of  
25 PG&E-08 through PG&E-15? Seeing none, those  
26 are admitted.

27 (Exhibit Nos. PG&E-08 through  
28 PG&E-15 were received into  
evidence.)

1           ALJ ALLEN: Finally, there's PG&E  
2 cross-examination exhibits. PG&E-X-01,  
3 PG&E-X-02, PG&E-X-03, PG&E-X-04, PG&E-X-05,  
4 PG&E-X-06, and PG&E-X-07.

5           Is there any objection to the  
6 receipt of Exhibits PG&E-X-01 through  
7 PG&E-X-07? Seeing no objection, those are  
8 received.

9           (Exhibit Nos. PG&E-X-01 through  
10 PG&E-X-07 were received into  
evidence.)

11          ALJ ALLEN: Any others, Mr. Weissmann?

12          MR. WEISSMANN: No, your Honor.

13          ALJ ALLEN: Off the record.

14          (Off the record.)

15          ALJ ALLEN: On the record.

16                 There are three exhibits that were  
17 marked for Marin Clean Energy, MCE-X-01,  
18 MCE-X-02, and MCE-X-03.

19                 Is there any objection to the  
20 receipt of those three exhibits? Seeing  
21 none, those three are admitted or received,  
22 whichever term you prefer, but they are in  
23 the record.

24                 (Exhibit Nos. MCE-X-01 through  
25 MCE-X-03 were received into  
evidence.)

26          MR. WEISSMANN: Sorry, your Honor,  
27 would you be so kind as to identify those for  
28 the record. I don't have them.

1           ALJ ALLEN: Yes. Actually, it looks as  
2 though X-01 and X-02 are identified for the  
3 record. X-03 may not have been. So MCE-X-01  
4 is Marin Clean Energy Cross-Examination  
5 Exhibit for Witness Wells. It's a thick  
6 multi-page document.

7           It has a number of attachments. It  
8 appears to consist of six different  
9 documents. The second one, MCE-X-02, is an  
10 excerpt from the PG&E Wildfire Safety Plan.  
11 It says "Pacific Gas and Electric Company  
12 Amended 2019 Wildfire Safety Plan,  
13 February 6, 2019."

14           MCE-X-03, I don't know if this was  
15 used or not because it doesn't appear to have  
16 been identified -- oh, no, it was identified  
17 on the record. It didn't get marked on here.  
18 Excuse me. MCE-X-03 is a PG&E data response  
19 for various witnesses, PG&E Data Response  
20 CCSF-001, Q 01-36.

21           MR. WEISSMANN: Could we be off the  
22 record for just a moment?

23           ALJ ALLEN: Yes, off the record.

24           (Off the record.)

25           ALJ ALLEN: On the record.

26           Just confirming there is no  
27 objection to the receipt of MCE-X-01, X-02 or  
28 X-03; is that correct? Those remain

1 received.

2 And then there are two exhibits for  
3 Small Business Utility Advocates, SBUA-01 is  
4 the Reply Testimony of Expert Ted Howard,  
5 that was the initial testimony, and  
6 SBUA-X-02, Cross-Examination Hearing Exhibit  
7 entitled "PG&E Risk Register."

8 Is there any objection to the  
9 receipt of SBUA-01 or SBUA-X-02? Seeing  
10 none, those two are admitted as well.

11 (Exhibit Nos. SBUA-01 and SBUA-X-02  
12 were received into evidence.)

13 ALJ ALLEN: Off the record.

14 (Off the record.)

15 ALJ ALLEN: On the record.

16 Let me start with Exhibits Abrams-01  
17 and Abrams-06. Abrams-01 is William B.  
18 Abrams' Reply Testimony dated February 21st.  
19 Abrams-06 was the previously-served William  
20 B. Abrams' Opening Testimony on Nonfinancial  
21 Issues dated December 13, 2019.

22 Is there any objection to the  
23 receipt of those two exhibits? Seeing none,  
24 those two exhibits are admitted.

25 (Exhibit Nos. Abrams-01 and  
26 Abrams-06 were received into  
evidence.)

27 ALJ ALLEN: Off the record.

28 (Off the record.)

1 ALJ ALLEN: On the record.

2 Mr. Abrams, I assume that you wish  
3 to have your exhibits admitted into the  
4 record, the remaining exhibits?

5 MR. ABRAMS: I do, your Honor.

6 ALJ ALLEN: Thank you. For exhibits  
7 Abrams-X-05 and Abrams-X-10, is there any  
8 objection to receipt of those two exhibits?  
9 Seeing none, those two are admitted.

10 (Exhibit Nos. Abrams-X-05 and  
11 Abrams-X-10 were received into  
evidence.)

12 ALJ ALLEN: I understand there may be  
13 some objections to some of the other exhibits  
14 so let's walk through those one at a time.  
15 Is there an objection to Abrams-X-02?

16 MR. WEISSMANN: Yes.

17 ALJ ALLEN: And what is the nature of  
18 that objection?

19 MR. WEISSMANN: Abrams-X-02 is  
20 Mr. Abrams' pleading in the bankruptcy court.  
21 It's a motion for reconsideration. I object  
22 on two grounds; first, lack of foundation,  
23 and, second, I don't recall this exhibit  
24 being used in cross-examination.

25 ALJ ALLEN: Mr. Abrams, response?

26 MR. ABRAMS: My response, your Honor,  
27 is that the bankruptcy proceeding is the  
28 subject and the documents associated with

1     that are the subject of this proceeding.  
2     Specifically, my pleading talks to safety and  
3     security issues which are central to the  
4     Commission's decision and, therefore, I think  
5     the exhibit is rightfully put into the  
6     record.

7             I also discuss that, even though I  
8     did not reference specific line items within  
9     that, I did reference those arguments in my  
10    cross-examination.

11            ALJ ALLEN: Am I correct that this  
12    document is a motion that you filed in the  
13    bankruptcy court and accordingly are  
14    essentially arguments that you are making in  
15    the bankruptcy court?

16            MR. ABRAMS: They are arguments that I  
17    am making in the bankruptcy court that are  
18    also the arguments PG&E is making in the  
19    bankruptcy court, there are arguments that  
20    victims are making in the bankruptcy court.  
21    It is amongst many arguments that are in the  
22    bankruptcy court that are relevant to this  
23    proceeding.

24            ALJ ALLEN: Well, Mr. Abrams, much of  
25    what happens coming out of the bankruptcy  
26    court is relevant to this proceeding. This  
27    is not a forum to re-litigate or repeat  
28    arguments made in the bankruptcy court. I am

1 going to not admit Exhibit X-02.

2 Let's move to Exhibit X-03.

3 MR. WEISSMANN: Same objections, your  
4 Honor.

5 MR. ABRAMS: Can you specify what that  
6 X-03 is, please, first.

7 ALJ ALLEN: Yes. Abrams-X-03 is a  
8 pleading from the United States Bankruptcy  
9 Court, William B. Abrams' Objection to  
10 Debtor's Motion Pursuant to 11 USC, et  
11 cetera, again about the restructuring  
12 agreement.

13 Do you have anything additional to  
14 say on this specific document?

15 MR. ABRAMS: Yes, your Honor. This  
16 motion is directly related to the financing  
17 of the Plan of Reorganization, which is  
18 central to the Commission's decision. I  
19 disagree strenuously with having only the  
20 documents and the testimony that PG&E would  
21 like to take under consideration rather than  
22 those of opponents.

23 ALJ ALLEN: Well, certainly,  
24 Mr. Abrams, you have been free to submit  
25 testimony and have done so. This, again, is  
26 an argument made to the bankruptcy court. I  
27 am not going to admit Abrams-X-03. Let's go  
28 to Abrams-X-04. This one is victim letters

1 to the court.

2 Your objection on this,  
3 Mr. Weissmann.

4 MR. WEISSMANN: Same objections and  
5 also hearsay.

6 ALJ ALLEN: This one he did lay a  
7 foundation on it and there was some  
8 discussion of this one. I am going to admit  
9 this to the record. It's not going to get a  
10 large amount of weight because, as I noticed  
11 at the time, these are all letters from fire  
12 victims to Judge Montali in the bankruptcy  
13 court. So, the relationship to this  
14 proceeding is somewhat attenuated, but I will  
15 admit Exhibit X-04 to the record.

16 MR. ABRAMS: Your Honor, if I can add  
17 something to that. I don't want to sell past  
18 sold, but can I add something to the record?

19 ALJ ALLEN: On that exhibit?

20 MR. ABRAMS: Yes.

21 ALJ ALLEN: No. Let's move on to  
22 exhibit X-07.

23 Mr. Weissmann, your objection to  
24 Abrams-X-07.

25 MR. WEISSMANN: Yes. X-07 is a  
26 statement filed on the bankruptcy court on  
27 behalf of Governor Newsom regarding the  
28 submission by the debtors. Our objections to



1     this is lack of foundation.  It's an argument  
2     to the bankruptcy court similar to your  
3     treatment of X-02 and X-03.  Again, I believe  
4     there was an objection made at the time and  
5     that objection was sustained, I believe.

6             MR. ALCANTAR:  Your Honor, may I weigh  
7     in on one aspect of this.  There are several  
8     references in the record, particularly from  
9     Mr. Johnson's testimony to correspondence  
10    from the governor expressing views.  It seems  
11    to me that the information additive to that  
12    communication is in fact probative in this  
13    case.  I would request that you'd at least  
14    consider those thoughts as you look at this  
15    exhibits.

16            MR. WEISSMANN:  I agree --

17            ALJ ALLEN:  Hold on a second.

18                    I'm sorry, I didn't hear the last  
19    thing you said, Mr. Alcantar.

20            MR. ALCANTAR:  Just in favor of  
21    considering those thoughts as you consider  
22    this exhibit.

23            ALJ ALLEN:  Thank you.

24            MR. WEISSMANN:  May I briefly remark  
25    that I did not object to Abrams-X-05, which  
26    was the letter from the governor.

27            ALJ ALLEN:  Thank you.

28                    Mr. Abrams.

1           MR. ABRAMS: Yes. The objections that  
2 are in X-07 directly reference the California  
3 Public Utilities Commission's proceedings, so  
4 I couldn't think of anything more relevant  
5 than a description of the California Public  
6 Utilities Commission's proceedings and is  
7 objections to how PG&E is conducting  
8 themselves in this proceeding.

9           ALJ ALLEN: Well, Mr. Abrams, there are  
10 a great many things that reference the Public  
11 Utilities Commission that do not come into  
12 the evidentiary record at our particular  
13 proceeding. I am trying to recall at the  
14 time this was offered, was this used in  
15 cross-examination?

16           MR. ABRAMS: Yes, it was.

17           ALJ ALLEN: I'm not recalling the  
18 objection.

19           Mr. Manheim.

20           MR. MANHEIM: Yeah, your Honor, I  
21 believe ALJ Cooke was presiding that day, but  
22 I objected to the use of the document for  
23 lack of foundation and for relevance since  
24 it's a bankruptcy pleading. That objection  
25 was sustained. There were no questions  
26 allowed with respect to that document.

27           MR. ABRAMS: That's untrue. It was not  
28 no objections related to that document. That

1 was never stated.

2 ALJ ALLEN: Okay.

3 MR. ABRAMS: Never stated.

4 ALJ ALLEN: Okay. Slow down because  
5 we're still on the record here. I'm going to  
6 hold off a moment on X-07. We'll come back  
7 to that. Let's move on to Abrams-X-08. This  
8 is another document. This is Objection of  
9 Governor Gavin Newsom to Debtor's Amended  
10 Motion for Entry of Orders. I guess the same  
11 arguments would apply to this one; is that  
12 correct, Mr. Weissmann, Mr. Alcantar, and  
13 Mr. Abrams?

14 MR. ABRAMS: Yes, your Honor.

15 MR. ALCANTAR: Yes, your Honor.

16 MR. ABRAMS: And the same foundation  
17 that I described before regarding X-07  
18 applies to this.

19 ALJ ALLEN: Thank you. So the answer  
20 is yes; correct?

21 MR. ABRAMS: The answer is yes.

22 ALJ ALLEN: Moving to Abrams-X-09, this  
23 is an article by Sam Licardo.

24 Mr. Weissmann.

25 MR. WEISSMANN: Yes, your Honor. This  
26 document was used in cross-examination of  
27 Mr. Wells. We would not object to the  
28 admission for the limited purpose of setting

1 a context for Mr. Wells' questions and  
2 answers, but we do object to consideration of  
3 the substance of the opinions that the author  
4 of that article set forth since the author  
5 was not present.

6 I think the way that it was  
7 presented was Mr. Abrams read certain  
8 passages and asked Mr. Wells if he agreed or  
9 disagreed. For that limited purpose, we  
10 don't object.

11 ALJ ALLEN: Yeah, given that it is an  
12 article, the article is essentially what it  
13 is. It is essentially a form of hearsay. I  
14 will admit it for that purpose and will not  
15 be basing any factual determinations in this  
16 proceeding on, but Abrams-X-09 is received.

17 (Exhibit No. Abrams-X-09 was  
18 received into evidence.)

19 ALJ ALLEN: That leaves us with  
20 Abrams-X-07 and Abrams-X-08. I am going to  
21 admit those for essentially the limited  
22 purpose for background material essentially  
23 along the grounds that Mr. Alcantar has  
24 identified. So, Abrams-X-07 and Abrams-X-08  
25 are admitted.

26 (Exhibit Nos. Abrams-X-07 and  
27 Abrams-X-08 were received into  
evidence.)

28 ALJ ALLEN: Anything else we need to

1 address at this time? I am planning to try  
2 and issue, hopefully soon, a written ruling  
3 that formalizes the schedule for going  
4 forward. I did rule on that from the bench  
5 so that is the schedule going forward.

6 The reason for the written ruling  
7 would be to make sure that it's publicly  
8 available and that everyone has access to it.  
9 I do not intend to change that ruling I did  
10 from the bench that adopts the proposed  
11 schedule developed by the parties.

12 Is there anything else we need to  
13 address today? Thank you very much. Thank  
14 you to all the parties. This hearing is  
15 adjourned.

16 (Whereupon, at the hour of 3:00  
17 p.m., this matter having been continued  
18 to 10:00 a.m., March 18, 2020, at  
San Francisco, California, the  
Commission then adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, ANDREA L. ROSS, CERTIFIED SHORTHAND REPORTER  
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I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE  
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EXECUTED THIS MARCH 06, 2020.

A handwritten signature in black ink, reading "Andrea L. Ross". The signature is stylized with a large, flowing "R" and a cursive "A".

ANDREA L. ROSS  
CSR NO. 7896

BEFORE THE PUBLIC UTILITIES COMMISSION  
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STATE OF CALIFORNIA

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A handwritten signature in black ink, appearing to read 'JAS STACEY', written over a horizontal line.

JASON A. STACEY  
CSR NO. 14092

BEFORE THE PUBLIC UTILITIES COMMISSION  
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\_\_\_\_\_  
SHANNON ROSS  
CSR NO. 8916



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